Martin Manufacturing (UK) Limited

Directors' report, strategic report and financial statements

Registered number 01913440

31 December 2017

Contents

Directors' report

The directors present their report and the audited financial statements for the period ended 31 December 2017.

Change of accounting reference date

During the period the company changed its accounting reference date to 31 December, making this an 18 month period.

Principal activities

During the period ended 31 December 2017 and up to until 30 September 2018 the company's principal activity was of design, development, manufacture, distribution, service and support of equipment to the entertainment and security industry. However, on 17 August 2018, the directors took the decision to cease trading following the sale of the company's trade and assets to Harman International Industries Limited. The sale of trade and assets is expected to complete on 30 September 2018. As the directors do not intend to acquire a replacement trade, they have not prepared the financial statements on a going concern basis. The effect of this is explained in note 1.

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 *(30 June 2016: £nil)*.

Directors

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

M Iasenza	(resigned 20 July 2018)
J Stacey	
T Suko	(resigned 26 June 2017)
F Groth	(appointed 26 June 2017)
M Allen	(appointed 20 July 2018)

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 *(30 June 2016: £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

M C M K Allen

M Allen
Director

Dated: 28/9/18

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 Harman Professional Denmark A/S who produce computer controlled lighting, also called "intelligent lighting", which is high technology luminaries utilised throughout all sectors of the entertainment industry. These lighting offerings together with our products in smoke machines gives the company the ability to offer a wider entertainment package.

The most important OEM customer remains to be 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. 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.

During 2017 the Harman Group which Martin Manufacturing is a part of was acquired by the Samsung Group. Harman continues to operate as a stand alone division of Samsung. On 17 August 2018, the directors took the decision to cease trading following the sale of the company's trade and assets to Harman International Industries Limited. The sale of the trade and assets is expected to complete on 30 September 2018.

Description of principal risks and uncertainties

Together with business improvements, we continued to strengthen the competencies within R&D 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 Martin 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.

Position of the company at the year end

The company did not achieve the budgeted sales for financial year 2017 (FY17) achieving a turnover of £4.5 million (*68% of budget*), whilst retaining a profit before tax of £233,000 (*45% of budget*).

Turnover against budget achieved by customer was, Martin Professional A/S performed to 78% of budget, MSS Professional A/S achieved 41% of budget, whilst our other OEM customers achieved 88% of budget.

Martin Professional A/S continued to generate good sale levels whilst undergoing organisational changes to further align with its parent Harman. Sales to MSS were disappointing,

Martin Manufacturing (UK) Ltd's other OEM sales as expected.

Strategic report *(continued)*

Key performance indicators

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

	31 Dec 17	30 Jun 16
Turnover (£'000)	**4,533**	4,199
Gross profit (£'000)	**1,128**	1,213
Gross profit %	***25%***	*29%*
Operating profit (£'000)	**263**	557

Future Developments

During the period ended 31 December 2017 and until 30 September 2018 the company's principal activity was of design, development, manufacture, distribution, service and support of equipment to the entertainment and security industry On 17 August 2018, the directors took the decision to cease trading following the sale of the company's trade and assets to Harman International Industries Limited. The sale of trade and assets is expected to complete on 30 September 2018. Martin Manufacturing will continue its activities as a division of Harman International Industries Limited from 30 September 2018

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

M.W.K.Allen

M Allen
Director

Dated: 28/9/18

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 European Union (IFRSs as adopted by the EU) 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 judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so (as explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

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

KPMG

Independent auditor's report to the members of Martin Manufacturing (UK) Limited

Opinion

We have audited the financial statements of Martin Manufacturing (UK) Limiteed ("the company") for the period ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter – Non-going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

KPMG

Independent auditor's report to the members of Martin Manufacturing (UK) Limited *(continued)*

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Colin Brearley *(Senior Statutory Auditor)*

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

Dated: 28/9/18

Statement of comprehensive income
for the period ended 31 December 2017

	Note	18 months to 31 December 2017 £000	Year to 30 June 2016 £000
Revenue	2	**4,533**	4,199
Cost of sales		**(3,405)**	(2,986)
Gross profit		**1,128**	1,213
Administrative expenses		**(865)**	(656)
Operating profit	3	**263**	557
Financial expenses	6	**(30)**	(32)
Profit before tax		**233**	525
Taxation	7	**40**	(106)
Profit and total comprehensive income for the year		**273**	419

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 31 December 2017

	Note	31 December 2017		30 June 2016	
		£000	£000	£000	£000
Non-current assets					
Intangible assets	*8*		-		-
Property, plant and equipment	*9*		22		37
Deferred tax assets	*13*		1		5
			23		42
Current assets					
Inventories	*10*	579		627	
Trade and other receivables	*11*	1,903		1,120	
Cash and cash equivalents		459		1,178	
			2,941		2,925
Total assets			2,964		2,967
Current liabilities					
Trade and other payables	*12*	(344)		(546)	
Corporation tax payable		(27)		(101)	
Total liabilities			(371)		(647)
Net assets			2,593		2,320
Equity					
Share capital	*15*		566		566
Retained earnings			2,027		1,754
Total equity			2,593		2,320

These financial statements were approved by the board of directors on 28/9/18 and were signed on their behalf by:

M.Wk.Allen

M Allen
Director

Company registered number : 01913440

Statement of changes in equity

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 July 2015	566	1,335	1,901
Total comprehensive income for the year			
Profit for the year	-	419	419
Total comprehensive income for the year	-	419	419
Balance at 30 June 2016	**566**	**1,754**	**2,320**

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 July 2016	566	1,754	2,320
Total comprehensive income for the period			
Profit for the period	-	273	273
Total comprehensive income for the period	-	273	273
Balance at 31 December 2017	**566**	**2,027**	**2,593**

Cash flow statement
for the period ended 31 December 2017

	18 months to 31 December 2017 £000	Year to 30 June 2016 £000
Cash flow from operating activities		
Profit for the period	273	419
Adjustments for:		
Finance costs recognised in profit and loss	30	32
Finance income recognised in profit and loss	-	-
Depreciation and amortisation of non-current assets	15	8
Taxation	(40)	106
	278	565
(Increase)/decrease in trade and other receivables	(783)	336
Decrease in inventories	48	57
(Decrease)/increase in trade and other payables	(202)	93
	(659)	1,051
Taxation paid	(30)	(154)
Interest paid	(30)	(32)
Net cash from operating activities	(719)	865
Cash flows from investing activities		
Interest received	-	-
Acquisition of property, plant and equipment	-	(24)
Net cash from investing activities	-	(24)
Net decrease in cash and cash equivalents	(719)	841
Cash and cash equivalents at the beginning of the year	1,178	337
Cash and cash equivalents at the end of the year	459	1,178

Notes
(forming part of the financial statements)

1 Accounting policies

Basis of accounting

Martin Manufacturing (UK) Limited (the 'Company') is a company incorporated in the UK. The registered number is 01913440 and the registered address is Martin House, Belvoir Way, Fairfield Industrial Estate, Louth, Lincolnshire, LN11 0LQ.

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 20.

Going concern

In previous years, the financial statements have been prepared on a going concern basis. However, on 17 August 2018 the directors took the decision to cease trading following the sale of the company's trade and assets to Harman International Industries Limited. Accordingly the directors have not prepared the financial statements on a going concern basis. This has had no effect on the financial statements since all assets and liabilities have been measured and classified to appropriately reflect that the trade and assets of the business have been transferred to Harman International Industries Limited on a going concern basis.

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 which is deemed to point the point of despatch.

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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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 January 2018 and have not been applied in preparing these financial statements. None of these are expected to have significant effect on the financial statements.

2 Revenue

The total turnover of the Company for the year has been derived from its principal activity, wholly undertaken in the United Kingdom.

3 Operating profit

	18 months to 31 Dec 17 £000	Year to 30 Jun 16 £000
Operating profit is stated after charging:		
Depreciation of property, plant and equipment	**15**	9
Operating lease rentals - Plant, machinery, etc	**4**	4
- Other assets	**69**	49
Auditor's remuneration		
Audit of these financial statements	**24**	17
Other services relating to taxation	**5**	5
All other services	**-**	1

4 Staff costs

	18 months to 31 Dec 17	Year to 30 Jun 16
The average number of employees (including directors) during the year was:		
Production	**20**	33
Sales and administration	**15**	11
	35	44

	18 months to 31 Dec 17 £000	Year to 30 Jun 16 £000
Employment costs:		
Wages and salaries	**814**	656
Social security costs	**87**	64
Other pension costs	**50**	24
	951	744

Notes *(continued)*

5 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.

6 Financial expenses

	18 months to 31 Dec 17 £000	Year to 30 Jun 16 £000
On bank loans and overdrafts	3	5
Net exchange losses	27	27
	30	32

7 Taxation

Recognised in the income statement

	18 months to 31 Dec 17 £000	Year to 30 Jun 16 £000
Current tax expense:		
Current period	46	104
Prior year adjustment	(90)	-
Current tax (credit)/expense	(44)	104
Deferred tax:		
Deferred tax charge (note 13)	4	2
Total tax (credit)/expense	(40)	106

Notes *(continued)*

7 Taxation *(continued)*

Reconciliation of effective tax rate

	18 months to 31 Dec 17 £000	Year to 30 Jun 16 £000
Profit on ordinary activities before taxation	233	525
Tax using the UK corporation tax rate of 19.25% *(30 Jun 16: 20%)*	45	105
Effects of:		
Depreciation in excess of capital allowances	4	(1)
Other fixed asset timing differences	1	2
Prior year adjustment	(90)	-
Total tax expense	(40)	106

Factors that may affect future tax charges

A reduction in the UK corporation tax rate to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015 and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future tax charge accordingly.

8 Intangible fixed assets

	Development costs £000
Cost:	
At 30 June 2015, 30 June 2016 and 31 December 2017	589
Accumulated amortisation:	
At 30 June 2015, 30 June 2016 and 31 December 2017	589
Net book value:	
At 1 July 2015, 30 June 2016 and 31 December 2017	-

Notes *(continued)*

9 Property, plant and equipment

	Leasehold improvements, plant and machinery £000
Cost:	
At 1 July 2015	1,076
Additions	24
Disposals	(184)
At 30 June 2016	916
At 1 July 2016	916
Additions	-
Disposals	(86)
At 31 December 2017	830
Accumulated depreciation:	
At 1 July 2015	1,054
Charge for the year	9
Disposals	(184)
At 30 June 2016	879
At 1 July 2016	879
Charge for the period	15
Disposals	(86)
At 31 December 2017	808
Net book value:	
At 1 July 2015	22
At 30 June 2016 and 1 July 2016	37
At 31 December 2017	**22**

Notes *(continued)*

10 Inventories

	31 Dec 17 £000	30 Jun 16 £000
Raw materials and consumables	**508**	540
Work in progress	**54**	36
Finished goods and goods for resale	**17**	51
	579	627
Amount recognised as cost of sales in the period for raw materials, consumables and changes in finished goods and work in progress	**2,885**	2,691

11 Trade and other receivables

	31 Dec 17 £000	30 Jun 16 £000
Trade receivables	**138**	339
Amounts owed by parent and fellow subsidiary undertakings	**1,691**	699
Other receivables	**48**	46
Prepayments and accrued income	**26**	36
	1,903	1,120

12 Trade and other payables

	31 Dec 17 £000	30 Jun 16 £000
Trade payables	**281**	501
Amounts owed to parent and fellow subsidiary undertakings	**-**	-
Taxes and social security	**14**	16
Accruals	**49**	29
	344	546

13 Deferred tax asset

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	31 Dec 17 £000	30 Jun 16 £000	31 Dec 17 £000	30 Jun 16 £000
Property, plant and equipment	**1**	5	**-**	-
Net tax assets	**1**	5	**-**	-

Notes *(continued)*

13 Deferred tax asset *(continued)*

Movement in deferred tax during the year

	1 July 2016 £000	Recognised in income £000	Recognised in equity £000	31 December 2017 £000
Property, plant and equipment	5	(4)	-	1
	5	(4)	-	1

Movement in deferred tax during the prior period

	1 July 2015 £000	Recognised in income £000	Recognised in equity £000	30 June 2016 £000
Property, plant and equipment	7	(2)	-	5
	7	(2)	-	5

14 Pension and other post-retirement commitments

Defined contribution

	31 Dec 17 £000	30 Jun 16 £000
Contributions payable by the company for the period	50	24

15 Share capital

	31 Dec 17 £000	30 Jun 16 £000
Allotted, called up and fully paid:		
566,500 ordinary shares of £1 each	566	566

16 Financial commitments

At 31 December 2017, the company has no committed payments under non-cancellable operating leases (30 June 2016: no commitments).

During the year £73,350 *(30 Jun 16: £52,500)* was recognised as an expense in the statement of comprehensive income in respect of operating leases.

Notes *(continued)*

17 Control

As at 31 December 2017 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. During 2017 Harman International Industries Inc. was acquired by the Samsung group. Harman continues to operate as a standalone division within the Samsung Group.

18 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 *(30 Jun 16: from)* Martin Professional A/S at the year end £3,560,018 *(30 Jun 16: £3,089,887)*.

31 December 2017	**Sales to £000**	**Purchased from £000**	**Balance due from £000**	**Balance due to £000**
Martin Professional A/S	**3,560**	**-**	**169**	**-**
Harman International Industries Ltd	**378**	**62**	**22**	**-**
Harman Professional Solutions	**-**	**-**	**1,500**	**-**

30 June 2016	Sales to £000	Purchased from £000	Balance due from £000	Balance due to £000
Martin Professional A/S	3,090	-	484	-
Martin Professional Limited	-	1	-	-
Harman International Industries Ltd	244	-	215	-

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 *£nil (30 Jun 16: £nil)*.

Notes *(continued)*

19 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.

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

	31 Dec 17 **£000**	30 Jun 16 £000
Cash and cash equivalents	**459**	1,178
Trade receivables (note 11)	**138**	339
Amounts owed by parent and fellow subsidiary undertakings (note 11)	**1,691**	699
Other receivables (note 11)	**48**	46
Total financial assets	**2,336**	2,262
Trade and other payables (note 12)	**(295)**	(517)
Total financial liabilities	**(295)**	(517)
Total financial assets	**2,041**	1,745

Fair value hierarchy

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

Notes *(continued)*

19 Financial instruments *(continued)*

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 £2,337,000 *(30 Jun 16: £2,262,000)*. This risk is predominately concentrated in the related party, Harman Professional Solutions.

The account with Harman Professional Solutions 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.

Credit quality of trade receivables and impairment losses

The ageing of trade receivables (including amounts owed to parent and fellow subsidiary undertakings) at the statement of financial position date was:

	31 Dec 17 Gross £000	31 Dec 17 Impairment £000	31 Dec 17 Net	30 Jun 16 Gross £000	30 Jun 16 Impairment £000	30 Jun 16 Net £000
Not past due	**1,780**	-	**1,780**	743	-	743
Past due 1 – 30 days	**18**	-	**18**	99	-	99
Past due 31 – 60 days	**31**	-	**31**	195	-	195
	1,829	-	**1,829**	1,037	-	1,037

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:

	31 Dec 17 £000	30 Jun 16 £000
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)*

19 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:

31 December 2017	Carrying amount £000	Contractual cash flows £000	Less than 1 year £000	1 to 2 years £000	2 to 5 years £000	More than 5 years £000
Trade and other payables	295	295	295	-	-	-

30 June 2016	Carrying amount £000	Contractual cash flows £000	Less than 1 year £000	1 to 2 years £000	2 to 5 years £000	More than 5 years £000
Trade and other payables	517	517	517	-	-	-

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

20 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.

Notes *(continued)*

21 Post balance sheet events

On 17 August 2018, the directors took the decision to cease trading on the completion of the sale of the company's trade and assets to Harman International Industries Limited. The sale of trade and assets is expected to complete on 30 September 2018, in exchange for consideration equal to the carrying value of assets transferred. Since the Company has no plans to acquire a replacement trade the directors have taken the decision to wind the Company up and, as explained in note 1, the financial statements have not been prepared on a going concern basis.