

Company Registration No. 06537279 (England and Wales)

Control4 EMEA Limited
Reports And Financial Statements
For The Year Ended 31 December 2014

THURSDAY



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01/10/2015
COMPANIES HOUSE

CONTROL4 EMEA LIMITED

COMPANY INFORMATION

Directors	Mr J G Bishop Mr M Novakovich (Appointed 25 August 2015) Mr R A J Fuller (Appointed 25 August 2015)
Secretary	Mr J G Bishop
Company number	06537279
Registered office	Unit 3 Green Park Business Centre Sutton-on-the-Forest York YO61 1ET
Auditors	Ernst & Young LLP 24 Marina Court Castle Street Hull HU1 1TJ
Bankers	Barclays Bank plc 1-3 Parliament Street York YO1 8SE

CONTROL4 EMEA LIMITED

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CONTROL4 EMEA LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present the strategic report and financial statements for the year ended 31 December 2014.

Review of the business

The Company's core business continues to be the distribution of home automation products developed and manufactured by its parent company, Control4 Corporation, a public company traded on the NASDAQ and incorporated in the United States. The primary distribution activities consist of identifying and qualifying dealers and other distributors in the United Kingdom, Europe and other countries in the region and providing training and technical support for these customers.

Our key performance metrics include turnover, gross profit margin, operating expenses and operating profit which are summarized for the annual periods ended December 31, 2014 and 2013:

	2014	2013	Change
	£'000	£'000	%
Turnover	10,752	8,634	25
Gross profit margin	2,820	1,940	45
Administrative expenses	2,154	1,546	39
Operating profit	666	394	69

The Company's turnover increased by 25% in 2014 compared to 2013 primarily as a result of increased sales in the United Kingdom resulting from the introduction of new products as well as the addition of new dealers and distributors.

Our gross profit margin was 26% in 2014 compared to 22% in 2013. The increase in gross profit margin percentage was the result of a combination of factors, such as the increase in the higher margin UK revenue as a percentage of overall sales.

Administrative expenses consist primarily of salaries and wages, marketing expenses, rent and travel expenses. The increase over last year was primarily due to an increase in foreign exchange losses - £220,538 in 2014 compared to £33,711 in 2013 - and an increase in wages, salaries and tax costs due to additional headcount - £837,932 in 2014 compared to £599,150 in 2013. The extra headcount also contributed to a £39,818 increase in travelling expenses and a £30,015 increase in commissions payable.

On September 10, 2014, Control4 EMEA Ltd. completed the acquisition of Extra Vegetables Limited, a company incorporated in England and Wales, pursuant to a Stock Purchase Agreement dated August 28, 2014 by and among Control4 EMEA Ltd and all of the shareholders of Extra Vegetables. The UK directors of Extra Vegetables agreed to become employees of Control4 EMEA Ltd. The total purchase price for Control4 EMEA's acquisition of Extra Vegetables was \$882,246 in cash, which included a base purchase price of \$675,000 and \$207,246 as payment for the Company's net working capital.

Financial instruments

The company does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit, and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to a price risk or liquidity risk.

Sales in the United Kingdom are priced in Sterling and sales to other countries in the region are priced in either Euro's or US dollars. The company maintains Euro and US Dollar bank accounts which are used to manage exchange rate risk, primarily through the payment of stock purchases which are priced in US Dollars.

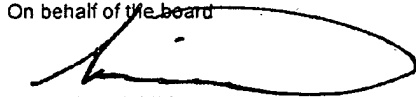
Liquidity Risk

The Company retains sufficient cash to ensure it has available operating funds. In addition, the Company has access to longer term funding through its parent, Control4 Corporation. As of December 31, 2014, the Company had outstanding intercompany borrowings totalling £3.1 million which carries interest at a fixed rate. There is no fixed repayment date on the intercompany borrowings.

CONTROL4 EMEA LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

On behalf of the board



.....
Mr M Novakovich
Director

.....
28/9/2015

CONTROL4 EMEA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and financial statements for the year ended 31 December 2014.

Principal activities

The principal activity of the company continued to be that of the distribution of home automation products developed and manufactured by its parent company, Control4 Corporation, a public company traded on the NASDAQ and incorporated in the United States.

Results and dividends

The profit for the year was £498,681 (2013 - £222,702).

The directors do not recommend payment of a dividend.

Future developments

The Company anticipates continued growth in turnover in the United Kingdom, Europe and other countries for which it has distribution responsibilities. The Company does not anticipate expanding its operations beyond those currently pursued as a distributor of Control4 Corporation products.

Subsequent events

On May 12, 2015, Control4 EMEA Ltd completed the formation of Control4 Germany GmbH which is a wholly owned subsidiary of Control4 EMEA Ltd. This entity will facilitate the expansion into the German market subsequent to the non-renewal of the existing distributor's distribution agreement at the end of December 2014. Sales and technical headcount have already been hired and premises are being sought with the view to opening them in Q4 2015.

Directors

The following directors have held office since 1 January 2014:

Mr J G Bishop	
Mr D E Strong	(Resigned 25 August 2015)
Mr M Novakovich	(Appointed 25 August 2015)
Mr R A J Fuller	(Appointed 25 August 2015)

Auditors

The auditors, Ernst & Young LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

On behalf of the board



Mr M Novakovich

Director

28/9/2015

CONTROL4 EMEA LIMITED

STATEMENT OF DIRECTORS RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2014

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONTROL4 EMEA LIMITED

We have audited the financial statements of Control4 EMEA Limited for the year ended 31 December 2014 set out on pages 7 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 auditors' 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 auditors

As explained more fully in the Statement of Directors Responsibilities set out on page 4, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF CONTROL4 EMEA LIMITED**

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.

Richard Frostick

Richard Frostick
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP

30/9/2015

Chartered Accountants
Statutory Auditor

24 Marina Court
Castle Street
Hull
HU1 1TJ

CONTROL4 EMEA LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £	2013 £
Turnover	2	10,752,086	8,634,148
Cost of sales		(7,932,138)	(6,693,895)
Gross profit		2,819,948	1,940,253
Administrative expenses		(2,153,592)	(1,545,884)
Operating profit	3	666,356	394,369
Other interest receivable and similar income	4	-	15
Interest payable and similar charges	5	(67,593)	(93,981)
Profit on ordinary activities before taxation		598,763	300,403
Tax on profit on ordinary activities	6	(100,082)	(77,701)
Profit for the year	16	498,681	222,702

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Statement of Total Recognised Gains and Losses for the year ended 31 December 2014.

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £498,681 in the year ended 31 December 2014 (2013 - £222,702).

CONTROL4 EMEA LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2014

	Notes	2014 £	£	2013 £	£
Fixed assets					
Tangible assets	7		146,057		215,537
Investments	8		545,886		-
			<u>691,943</u>		<u>215,537</u>
Current assets					
Stocks	9	1,909,387		1,344,677	
Debtors	10	1,710,360		1,303,319	
Cash at bank and in hand		510,458		181,555	
		<u>4,130,205</u>		<u>2,829,551</u>	
Creditors: amounts falling due within one year	11	<u>(3,763,787)</u>		<u>(2,575,641)</u>	
Net current assets			<u>366,418</u>		<u>253,910</u>
Total assets less current liabilities			<u>1,058,361</u>		<u>469,447</u>
Provisions for liabilities	12		<u>(175,000)</u>		<u>(121,000)</u>
			<u>883,361</u>		<u>348,447</u>
Capital and reserves					
Called up share capital	15		1		1
Other reserves	16		121,300		85,067
Profit and loss account	16		762,060		263,379
Shareholders' funds	17		<u>883,361</u>		<u>348,447</u>

Approved by the Board and authorised for issue on

28/9/2015

Mr M Novakovich
Director

Company Registration No. 06537279

CONTROL4 EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is a wholly-owned subsidiary of Control4 Corporation and is included in the group financial statements of Control4 Corporation, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a statement of cash flows under the terms of FRS 1 Statement of cash flows (revised 1996).

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

In the case of long term contracts, turnover reflects the contract activity during the year and represents a proportion of total contract value consistent with the actual stage of completion of the work.

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

The attributable profit on long term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project. Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

1.3 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:

Leasehold improvements	33-67% straight line
Plant and machinery	25% straight line
Computer equipment	33% straight line
Fixtures, fittings and equipment	33-67% straight line

1.4 Leasing

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

1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.6 Stock

Stock is valued at the lower of cost and net realisable value.

1.7 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.8 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

CONTROL4 EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

1 Accounting policies (Continued)

1.9 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates 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 profit and loss account.

1.10 Group accounts

The financial statements presented are for the company as an individual undertaking and not its group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to publish group financial statements as it and its subsidiary undertaking are included by full consolidation in the group financial statements of Control4 Corporation, a company registered in the United States of America.

1.11 Warranty provision

The company offers a warranty on the majority of its sales that covers defective products. As of 31 December 2014 the company has accrued total reserves of £175,000 (2013 - £120,000), which are included in provisions for liabilities, for estimated product returns and costs related to product warranties. Provisions for return allowances and product warranties are recorded at the time revenue is recognised.

2 Turnover

Geographical market

	Turnover	
	2014	2013
	£	£
United Kingdom	7,998,746	5,903,906
Europe	2,478,213	2,469,927
Rest of the World	275,127	260,315
	<u>10,752,086</u>	<u>8,634,148</u>

3 Operating profit

	2014	2013
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	128,279	107,735
Loss on foreign exchange transactions	220,538	-
Operating lease rentals	19,566	15,544
Auditors' remuneration (including expenses and benefits in kind)	29,115	18,784
and after crediting:		
Profit on disposal of tangible assets	(64)	(162)
Profit on foreign exchange transactions	-	(33,711)
	<u></u>	<u></u>

CONTROL4 EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

4	Interest Income	2014	2013
		£	£
	Bank interest	-	15
		<u>-</u>	<u>15</u>
		<u>-</u>	<u>15</u>
5	Interest payable	2014	2013
		£	£
	On amounts payable to group companies	67,593	93,981
		<u>67,593</u>	<u>93,981</u>

CONTROL4 EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

6	Taxation	2014 £	2013 £
	Domestic current year tax		
	U.K. corporation tax	124,421	73,000
	Adjustment for prior years	444	701
	Total current tax	124,865	73,701
	Deferred tax		
	Deferred tax (credit)/charge	(24,783)	4,000
		<u>100,082</u>	<u>77,701</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>598,763</u>	<u>300,403</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21.49% (2013 - 23.25%)	<u>128,674</u>	<u>69,844</u>
	Effects of:		
	Non deductible expenses	3,992	3,936
	Depreciation add back	27,567	25,048
	Capital allowances	(13,351)	(35,158)
	Adjustments to previous periods	444	-
	Other short term timing differences	5,553	-
	Deduction on the exercise of share options	(42,104)	-
	Other tax adjustments	14,090	10,031
		<u>(3,809)</u>	<u>3,857</u>
	Current tax charge for the year	<u>124,865</u>	<u>73,701</u>

The Finance Act 2013 received Royal Assent on 17 July 2013 and announced a reduction in the main rate of corporation tax from 23% to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015. Deferred tax has been provided at 20% being the rate enacted at the Balance Sheet date.

The Summer Finance Bill 2015 announced further reductions in the main rate of corporation tax from 20% to 19% from 1 April 2017 and a further reduction to 18% from 1 April 2020. These further reductions have not yet been enacted.

CONTROL4 EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

7 Tangible fixed assets

	Leasehold improvements	Plant and machinery	Fixtures, fittings and equipment	Total
	£	£	£	£
Cost				
At 1 January 2014	188,794	96,897	130,749	416,440
Additions	30,634	20,512	7,654	58,800
Disposals	-	(1,264)	-	(1,264)
At 31 December 2014	219,428	116,145	138,403	473,976
Depreciation				
At 1 January 2014	53,675	74,828	72,400	200,903
On disposals	-	(1,263)	-	(1,263)
Charge for the year	67,602	16,960	43,717	128,279
At 31 December 2014	121,277	90,525	116,117	327,919
Net book value				
At 31 December 2014	98,151	25,620	22,286	146,057
At 31 December 2013	135,119	22,069	58,349	215,537

CONTROL4 EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

8 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 January 2014	-
Additions	545,886
At 31 December 2014	545,886
Net book value	
At 31 December 2014	545,886

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Extra Vegetables Limited	England & Wales	Ordinary	100.00

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

		Capital and reserves 2014 £	Profit/(loss) for the year 2014 £
Extra Vegetables Limited	Principal activity		
	Business and domestic software development	140,035	409,325

9 Stocks

	2014 £	2013 £
Finished goods and goods for resale	1,909,387	1,344,677

CONTROL4 EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

10 Debtors	2014	2013
	£	£
Trade debtors	1,455,309	1,053,876
Prepayments and accrued income	231,268	249,443
Deferred tax asset (see note 12)	23,783	-
	<u>1,710,360</u>	<u>1,303,319</u>
11 Creditors: amounts falling due within one year	2014	2013
	£	£
Trade creditors	100,543	150,025
Amounts owed to parent and fellow subsidiary undertakings	3,142,513	2,125,912
Corporation tax	124,421	73,000
Other taxes and social security costs	131,373	24,644
Accruals and deferred income	264,937	202,060
	<u>3,763,787</u>	<u>2,575,641</u>

CONTROL4 EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

12 Provisions for liabilities

	Warranty £
Balance at 1 January 2014	120,000
Movement during the year	55,000
Balance at 31 December 2014	<u>175,000</u>

The deferred tax asset (included in debtors, note 10) is made up as follows:

	2014 £	
Balance at 1 January 2014	1,000	
Profit and loss account	(24,783)	
Balance at 31 December 2014	<u>(23,783)</u>	

	2014 £	2013 £
Accelerated capital allowances	7,384	16,000
Other timing differences	(31,167)	(15,000)
	<u>(23,783)</u>	<u>1,000</u>

13 Retirement Benefits

Defined contribution scheme

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. There were no prepaid or unpaid contributions at the year end. The pension cost charge represents contributions payable by the company to the fund, as follows:

	2014 £	2013 £
Contributions payable by the company for the year	<u>22,976</u>	<u>19,105</u>

CONTROL4 EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

14 Share based payments

The ultimate parent company Control4 Corporation incorporated in the US; operates share option schemes and certain employees of the Company have been granted share options in these schemes. Share options granted to employees vest over a period of 4 years and have contractual terms to exercise of 10 years. The charge booked in the current year relates to share-based payments of £36,233.

Share option plans

2003 Equity Incentive Plan

In 2003, the Board of Directors of Control4 Corporation adopted the 2003 Equity Incentive Plan (the "2003 Plan"), which provided for the granting of nonqualified and incentive share options, share appreciation rights, share awards and restricted shares. Under the 2003 Plan, the Company was able to grant nonqualified and incentive share options to directors, employees and non-employees providing services to the Company.

2013 Stock Option and Incentive plan

On June 11, 2013, the Control4 Corporation's Board of Directors adopted the 2013 Stock Option and Incentive Plan (the "2013 Plan"), which was subsequently approved by the Company's shareholders. The 2013 Plan became effective as of the closing of the Company's initial public offering. To the extent that any awards outstanding under the 2003 Plan are forfeited or lapse unexercised subsequent to August 1, 2013, the shares of common stock subject to such awards will become available for issuance under the 2013 Plan. The 2013 Plan provides for annual increases in the number of reserved shares of up to 5% of the outstanding number of shares of the Company's Common Stock. Each option is exercisable over a period of time from its date of grant at the market value on the grant date and expires after 10 years.

Control4 EMEA Ltd accounts for share-based employee compensation plans under the fair value recognition and measurement provisions under UK GAAP. The Company's share-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognised as expense over the requisite service period. UK GAAP requires the cash flows resulting from the tax benefits due to tax deductions in excess of the compensation cost recognised for those options (excess tax benefits) to be classified as financing cash flows.

The fair value of share options is estimated using the Black-Scholes-Merton option-pricing model with the following weighted average assumptions:

	2014	2013
Expected volatility	49 - 60%	56 - 59%
Risk-free interest rate	0.3 - 2.0%	0.8 - 1.7%
Expected lives (years)	1.0 - 6.1	3.3 - 7.2
Annual cash dividend	\$nil	\$nil

The determination of the grant date fair value of options using an option-pricing model is affected by estimated Control4 Corporation's share fair value as well as assumptions regarding a number of other complex and subjective variables, which are estimated as follows:

Expected Volatility - As the parent company does not have a trading history for shares, the expected share price volatility for the shares was estimated by taking the average of the historical volatilities of an index fund and industry peers based on daily price observations over a period equivalent to the expected term of the share option grants. Control4 Corporation did not rely on implied volatilities of traded options in industry peers' shares because the volume of activity was relatively low. Control4 Corporation intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of the share price becomes available.

CONTROL4 EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

14 Share based payments

(Continued)

Risk-Free Interest Rate - The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of the grant for zero-coupon U.S. Treasury notes with remaining terms similar to the expected term of the options.

Expected Lives - The expected term represents the period that the share-based awards are expected to be outstanding. For Control4 Corporation's option grants, the simplified method was used to determine the expected term, as provided by the SEC. The simplified method calculates the expected term as the average of the time-to-vesting and the contractual life of the options. The Company have used the simplified method to determine our expected term because of the limited history of share option exercise activity.

Annual Cash Dividend - Control4 Corporation have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, the Company used an expected dividend yield of zero.

Share Option Plan Information

Date of grant	Years	Plan	As at 31 December 2013	Granted	Exercised	Forfeiture	As at 31 December 2014	Exercise/ share price \$
16/07/08	10	2003	22,595	-	(17,634)	-	4,961	4.89
29/12/11	10	2003	7,307	-	-	-	7,307	6.34
23/06/13	10	2013	4,807	-	(641)	-	4,166	11.28
08/08/13	10	2013	10,700	-	-	-	10,700	22.77
28/02/14	10	2013	-	12,000	-	-	12,000	20.91
31/03/14	10	2013	-	1,000	-	-	1,000	21.21
30/09/14	10	2013	-	34,000	-	-	34,000	12.93
31/10/14	10	2013	-	2,000	-	-	2,000	15.51
31/12/14	10	2013	-	11,400	-	-	11,400	15.37
			<u>45,409</u>	<u>60,400</u>	<u>(18,275)</u>	<u>-</u>	<u>87,534</u>	

As the expense relating to share based payments which is recognised in the Profit and Loss Account is based on awards expected to vest, it has been reduced for estimated forfeitures. Share based payment accounting requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimated.

15 Share capital

	2014	2013
	£	£
Allotted, called up and fully paid		
1 Ordinary share of £1 each	<u>1</u>	<u>1</u>

CONTROL4 EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

16 Statement of movements on reserves

	Share Based Payment Reserve £	Profit and loss account £
Balance at 1 January 2014	85,067	263,379
Profit for the year	-	498,681
Share based expense	36,233	-
Balance at 31 December 2014	121,300	762,060

17 Reconciliation of movements in Shareholders' funds

	2014 £	2013 £
Profit for the financial year	498,681	222,702
Share based payment transactions	-	(73,478)
Movements on other reserves	36,233	85,067
Net addition to shareholders' funds	534,914	234,291
Opening Shareholders' funds	348,447	114,156
Closing Shareholders' funds	883,361	348,447

18 Financial commitments

At 31 December 2014 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2015:

	Land and buildings	
	2014 £	2013 £
Operating leases which expire:		
Within one year	5,500	5,500
Between two and five years	12,000	12,000
	17,500	17,500

19 Directors' remuneration

The directors are remunerated through the parent company and received no remuneration or benefits from this company during the year.

CONTROL4 EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

20 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2014 Number	2013 Number
General and administration	5	5
Technical	5	4
Training	1	1
Sales	6	4
Logistics	3	2
Research and development	1	-
	<u>21</u>	<u>16</u>
Employment costs	2014 £	2013 £
Wages and salaries	803,456	592,095
Social security costs	114,100	68,320
Other pension costs	22,976	19,105
	<u>940,532</u>	<u>679,520</u>

21 Control

The ultimate parent company is Control4 Corporation, a company registered in the United States of America. Control4 Corporation prepares group accounts which can be obtained from 11734 S. Election Road, Salt Lake City, Utah 84020-6432.

CONTROL4 EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

22 Related party relationships and transactions

Advantage has been taken of exemptions available under FRS 8 from disclosing transactions with other group companies.