

## **Naim Audio Limited**

Annual Report and Financial Statements

Year Ended

31 December 2017

Company Number 01116428



# Naim Audio Limited

## Contents

---

	Page
<b>Company Information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2</b>
<b>Directors' Report</b>	<b>3 - 4</b>
<b>Independent Auditor's Report</b>	<b>5 - 7</b>
<b>Consolidated Statement of Income and Retained Earnings</b>	<b>8</b>
<b>Consolidated Statement of Financial Position</b>	<b>9</b>
<b>Company Statement of Financial Position</b>	<b>10</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>11</b>
<b>Company Statement of Changes in Equity</b>	<b>12</b>
<b>Consolidated Statement of Cash Flows</b>	<b>13</b>
<b>Notes to the Financial Statements</b>	<b>14 - 37</b>

# Naim Audio Limited

## Company Information

---

**Directors** R V George  
Vervent Audio Group  
JL J Pettier  
T Wilson

**Registered number** 01116428

**Registered office** Southampton Road  
Salisbury  
Wiltshire  
SP1 2LN

**Independent auditor** BDO LLP  
Arcadia House  
Maritime Walk  
Ocean Village  
Southampton  
SO14 3TL

**Bankers** Santander  
1 Dorset Street  
Southampton  
Hampshire  
SO15 2DP

**Solicitors** Wilsons  
St John's Street  
Salisbury  
Wiltshire  
SP2 2SB

# Naim Audio Limited

## Strategic Report For the Year Ended 31 December 2017

---

### Introduction

The principal activity of the company continued to be that of the design and manufacture of audio equipment.

### Business review

The directors are pleased to report a strong performance for the year ended 31 December 2017 during which time we have achieved the highest sales in our company history.

The financial performance for this period shows a £1,007,722 post-tax profit on a sales turnover of £27,815,323.

Our new product development and long term investment strategy continues to pay dividends as we succeed in gaining market share world-wide and cement our position going forward with ground breaking new products.

During 2017 the launch of the delayed products in our Uniti range was met with excellent market reviews and unprecedented demand. Furthering our brand message and exceeding customer expectation remains our focus.

### Principal risks and uncertainties

The risks going forward hinge on the political stability in various parts of the world which could impact on confidence and possibly slow growth. The effects of currency swings of sterling to the US dollar & Euro will also need to be carefully managed to achieve our margin targets.

### Other key performance indicators

Our key objectives for the current and this coming year are brand awareness and supply of demand remain our focus to satisfy our customer expectations.

This report was approved by the board on *29<sup>th</sup> Mar 2018* and signed on its behalf.

  
**T Wilson**  
Director

# **Naim Audio Limited**

## **Directors' Report For the Year Ended 31 December 2017**

---

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

### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Results and dividends**

The profit for the year, after taxation, amounted to £1,007,722 (2016 - £1,798,053).

A dividend payment of £Nil (2016 - £Nil) was recommended and paid during the year.

### **Matters covered in the strategic report**

A review of the business and its principal risks and uncertainties is presented in the Strategic Report of these financial statements.

### **Directors**

The directors who served during the year were:

R V George  
Vervent Audio Group  
JL J Pettier  
T Wilson

### **Future developments**

The company maintains a policy of continuing development of its existing products together with research into other areas of audio reproduction from which new products are being developed that are complementary to the company's existing range.

# Naim Audio Limited

## Directors' Report (continued) For the Year Ended 31 December 2017

---

### Research and development activities

Research and Development expenditure is written off to the statement of comprehensive income in the year in which it is incurred unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

### Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

### Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *29<sup>th</sup> March 2018* and signed on its behalf.



**T Wilson**  
Director

# **Naim Audio Limited**

## **Independent Auditor's Report to the Members of Naim Audio Limited**

---

### **Opinion**

We have audited the financial statements of Naim Audio Limited and its subsidiaries for the year ended 31 December 2017 which comprise the Consolidated Statement of Income and Retained Earnings, the Consolidated and Company Statement of Financial Position, the Consolidated Statement of Cashflow, the Consolidated and Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

# **Naim Audio Limited**

## **Independent Auditor's Report to the Members of Naim Audio Limited (continued)**

---

### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Director's Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



# Naim Audio Limited

## Independent Auditor's Report to the Members of Naim Audio Limited (continued)

---

### Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 the Directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

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.

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



James Newman (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Southampton  
United Kingdom

29 March 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Naim Audio Limited

## Consolidated Statement of Income and Retained Earnings For the Year Ended 31 December 2017

	Note	2017 £	2016 £
Turnover	4	27,815,323	26,952,508
Cost of sales		(15,561,443)	(14,906,943)
<b>Gross profit</b>		<b>12,253,880</b>	<b>12,045,565</b>
Distribution costs		(359,811)	(394,332)
Administrative expenses		(10,739,125)	(9,536,190)
Other operating income	5	218,485	147,202
<b>Operating profit</b>	6	<b>1,373,429</b>	<b>2,262,245</b>
Interest receivable and similar income	9	639	1,528
Interest payable and expenses	10	(141,507)	(101,433)
<b>Profit before tax</b>		<b>1,232,561</b>	<b>2,162,340</b>
Tax on profit	11	(224,839)	(364,287)
<b>Profit after tax</b>		<b>1,007,722</b>	<b>1,798,053</b>
Retained earnings at the beginning of the year		10,688,522	8,890,469
		10,688,522	8,890,469
Profit for the year attributable to the owners of the parent		1,007,722	1,798,053
<b>Retained earnings at the end of the year</b>		<b>11,696,244</b>	<b>10,688,522</b>

There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of income and retained earnings.

The notes on pages 14 to 37 form part of these financial statements.

**Naim Audio Limited**  
Registered number: 01116428

**Consolidated Statement of Financial Position**  
**As at 31 December 2017**

	Note	2017 £	2017 £	2016 £	2016 £
<b>Fixed assets</b>					
Intangible assets	12		7,320,917		6,488,275
Tangible assets	13		1,564,316		1,642,752
			<u>8,894,233</u>		<u>8,131,027</u>
<b>Current assets</b>					
Stocks	15	5,688,601		4,772,392	
Debtors: amounts falling due within one year	16	6,211,423		4,700,417	
Cash at bank and in hand	17	1,386,510		1,553,893	
		<u>13,286,534</u>		<u>11,026,702</u>	
Creditors: amounts falling due within one year	18	(7,190,763)		(7,015,675)	
<b>Net current assets</b>			<u>6,095,771</u>		<u>4,011,027</u>
<b>Total assets less current liabilities</b>			<u>14,990,004</u>		<u>12,142,054</u>
Creditors: amounts falling due after more than one year			(1,403,702)		-
<b>Provisions for liabilities</b>					
Deferred tax	22	(1,341,174)		(1,188,533)	
<b>Net assets</b>			<u><u>12,245,128</u></u>		<u><u>10,953,521</u></u>
<b>Capital and reserves</b>					
Called up share capital	23		4,375		4,375
Capital redemption reserve	24		625		625
Merger reserve	24		259,999		259,999
Profit and loss account	24		11,980,129		10,688,522
			<u><u>12,245,128</u></u>		<u><u>10,953,521</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29/3/18



**T Wilson**  
Director

The notes on pages 14 to 37 form part of these financial statements.

**Naim Audio Limited**  
Registered number: 01116428

**Company Statement of Financial Position**  
**As at 31 December 2017**

	Note	2017 £	2017 £	2016 £	2016 £
<b>Fixed assets</b>					
Intangible assets	12		7,320,917		6,488,275
Tangible assets	13		1,564,316		1,642,732
Investments			1		-
			<u>8,894,234</u>		<u>8,131,007</u>
<b>Current assets</b>					
Stocks	15	5,472,548		4,614,336	
Debtors: amounts falling due within one year	16	6,082,032		4,530,630	
Cash at bank and in hand	17	1,373,305		1,470,729	
		<u>12,927,885</u>		<u>10,615,695</u>	
Creditors: amounts falling due within one year	18	(6,888,608)		(6,326,280)	
<b>Net current assets</b>			<u>6,039,277</u>		<u>4,289,415</u>
<b>Total assets less current liabilities</b>			<u>14,933,511</u>		<u>12,420,422</u>
Creditors: amounts falling due after more than one year			(1,403,702)		-
<b>Provisions for liabilities</b>					
Deferred taxation	22	(1,341,174)		(1,188,533)	
			<u>(1,341,174)</u>		<u>(1,188,533)</u>
			<u>12,188,635</u>		<u>11,231,889</u>
<b>Net assets</b>			<u>12,188,635</u>		<u>11,231,889</u>
<b>Capital and reserves</b>					
Called up share capital	23		4,375		4,375
Capital redemption reserve	24		625		625
Profit and loss account brought forward		11,226,889		9,380,543	
Profit for the year		956,746		1,846,346	
Profit and loss account carried forward			12,183,635		11,226,889
			<u>12,188,635</u>		<u>11,231,889</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29/3/19

  
T Wilson  
Director

# Naim Audio Limited

## Consolidated Statement of Changes in Equity For the Year Ended 31 December 2017

	Called up share capital £	Capital redemption reserve £	Merger reserve £	Profit and loss account £	Total equity £
<b>At 1 January 2016</b>	<b>4,375</b>	<b>625</b>	<b>259,999</b>	<b>8,890,469</b>	<b>9,155,468</b>
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	1,798,053	1,798,053
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,798,053</b>	<b>1,798,053</b>
<b>At 1 January 2017</b>	<b>4,375</b>	<b>625</b>	<b>259,999</b>	<b>10,688,522</b>	<b>10,953,521</b>
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	1,007,722	1,007,722
Waiver of amount owed to parent undertaking	-	-	-	283,885	283,885
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>283,885</b>	<b>283,885</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,291,607</b>	<b>1,291,607</b>
<b>At 31 December 2017</b>	<b>4,375</b>	<b>625</b>	<b>259,999</b>	<b>11,980,129</b>	<b>12,245,128</b>

# Naim Audio Limited

## Company Statement of Changes in Equity For the Year Ended 31 December 2017

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total equity £
<b>At 1 January 2016</b>	<b>4,375</b>	<b>625</b>	<b>9,380,543</b>	<b>9,385,543</b>
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	1,846,346	1,846,346
<b>Other comprehensive income for the year</b>	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	1,846,346	1,846,346
<b>At 1 January 2017</b>	<b>4,375</b>	<b>625</b>	<b>11,226,889</b>	<b>11,231,889</b>
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	956,746	956,746
<b>Other comprehensive income for the year</b>	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	956,746	956,746
<b>At 31 December 2017</b>	<b>4,375</b>	<b>625</b>	<b>12,183,635</b>	<b>12,188,635</b>

# Naim Audio Limited

## Consolidated Statement of Cash Flows For the Year Ended 31 December 2017

	2017 £	2016 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	1,007,722	1,798,053
<b>Adjustments for:</b>		
Amortisation of intangible assets	989,339	688,303
Depreciation of tangible assets	321,103	254,702
Loss on disposal of tangible assets	9,190	(26,637)
Interest paid	141,507	101,433
Interest received	(639)	(1,528)
Taxation charge	224,839	364,287
(Increase) in stocks	(916,209)	(520,138)
(Increase) in debtors	(1,501,963)	(540,187)
Increase in creditors	3,092,481	1,123,188
Other income in respect of R&D	(218,485)	(147,202)
R&D tax credit received	137,244	-
<b>Net cash generated from operating activities</b>	<b>3,286,129</b>	<b>3,094,274</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(1,830,980)	(2,295,689)
Purchase of tangible fixed assets	(251,857)	(460,642)
Interest received	639	1,528
<b>Net cash from investing activities</b>	<b>(2,082,198)</b>	<b>(2,754,803)</b>
<b>Cash flows from financing activities</b>		
New bank loans	1,516,495	-
Interest paid	(141,507)	(101,433)
<b>Net cash used in financing activities</b>	<b>1,374,988</b>	<b>(101,433)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,578,919</b>	<b>238,038</b>
Cash and cash equivalents at beginning of year	(1,724,880)	(1,962,918)
<b>Cash and cash equivalents at the end of year</b>	<b>854,039</b>	<b>(1,724,880)</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	1,386,510	1,553,893
Bank overdrafts	(532,471)	(3,278,773)
	<b>854,039</b>	<b>(1,724,880)</b>

# **Naim Audio Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2017**

---

### **1. General information**

Naim Audio Limited is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given in the company Information page. The nature of the company's operations and its principal activity is given in the Strategic Report.

### **2. Accounting policies**

#### **2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

#### **2.2 Parent company disclosure exemptions**

In the preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent company;
- No statement of comprehensive income has been presented for the parent company;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the company as their remuneration is included in the consolidated accounts;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole.

#### **2.3 Basis of consolidation**

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The Group has recognised a merger reserve which arose on a business combination in the year that was accounted for as a merger in accordance with FRS102 (see note 14).



# **Naim Audio Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2017**

---

### **2. Accounting policies (continued)**

#### **2.4 Going concern**

The financial statements have been prepared on a going concern basis, which assumes that the company will continue to trade. Based on the available facilities the directors have reviewed the financial projections and cash flows for a period of at least 12 months from the approval of the financial statements, along with the covenant compliance under these facilities, and are satisfied that the company has adequate resources to continue in operation for the foreseeable future and consequently the financial statements continue to be prepared on a going concern basis.

At the 31 December 2017 the company has in place an overdraft facility of £2.0m (2016 - £2.0m), which is reviewed annually and a loan facility available of \$2.0m USD (2016 - \$2.1m). At the year end the company had drawn down £2.0m (2016 - £3.3m) of these facilities. The directors have prepared profit and cash flow forecasts which show that the group will continue to be profitable going forward and satisfy the future expected covenants, however the directors also recognize the inherent uncertainty about future events.

The financial statements do not include the disclosures that would result from the going concern basis of preparation being inappropriate, as it is assumed that the funding, will be secured shortly.

#### **2.5 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

##### **Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### **Royalty income**

Royalty revenue is recognised in the period of which the royalty is due when the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable the group will receive the consideration due under the agreement.

# Naim Audio Limited

## Notes to the Financial Statements For the Year Ended 31 December 2017

---

### 2. Accounting policies (continued)

#### 2.6 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The accounting policy for development costs is included within the Research and Development accounting policy.

#### Amortisation

Amortisation is charged to the Statement of Income and Retained Earnings on a straight line basis over the estimated useful lives of the intangible assets. Intangible assets are amortised from the date they are available to use. The estimated useful lives are as follow:

- Capitalised development costs 3 to 10 years

The estimated useful lives are based on similar products that we have sold in the past and also taking into account the fast changing technologies we are faced with.

#### 2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following bases:

Freehold property	- 2% straight line
Land	- Not amortised
Test equipment	- 25% straight line
Plant and machinery	- 25% straight line
Motor vehicles	- 25% straight line
Fixtures and fittings	- 25% straight line
Computer equipment	- 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Income and Retained Earnings.

# **Naim Audio Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2017**

---

### **2. Accounting policies (continued)**

#### **2.8 Research and Development costs**

Expenditure on research activities is recognised in the Statement of Income and Retained Earnings as an expense as incurred.

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the statement of comprehensive income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Development costs are capitalised within intangible assets where they can be identified with a specific product or project anticipated to produce future benefits and are amortised on the straight line basis over the anticipated life of the benefits arising from the completed product or project, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

#### **2.9 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

#### **2.10 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

#### **2.11 Debtors**

Short term debtors are measured at transaction price, less any impairment.

# Naim Audio Limited

## Notes to the Financial Statements For the Year Ended 31 December 2017

---

### 2. Accounting policies (continued)

#### 2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

#### 2.13 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Income and Retained Earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### 2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

# **Naim Audio Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2017**

---

### **2. Accounting policies (continued)**

#### **2.15 Foreign currency translation**

##### **Functional and presentation currency**

The Company's functional and presentational currency is GBP.

##### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Income and Retained Earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Income and Retained Earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Income and Retained Earnings within 'other operating income'.

#### **2.16 Finance costs**

Finance costs are charged to the Consolidated Statement of Income and Retained Earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### **2.17 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

#### **2.18 Operating leases: the Group as lessee**

Rentals paid under operating leases are charged to the Consolidated Statement of Income and Retained Earnings on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

# **Naim Audio Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2017**

---

### **2. Accounting policies (continued)**

#### **2.19 Pensions**

##### **Defined contribution pension plan**

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

#### **2.20 Interest income**

Interest income is recognised in the Consolidated Statement of Income and Retained Earnings using the effective interest method.

#### **2.21 Borrowing costs**

All borrowing costs are recognised in the Consolidated Statement of Income and Retained Earnings in the year in which they are incurred.

#### **2.22 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Income and Retained Earnings in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

# **Naim Audio Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2017**

---

### **2. Accounting policies (continued)**

#### **2.23 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Income and Retained Earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

R&D expenditure tax credits are recognised as other operating income within the consolidated statement of income and retained earnings.

# **Naim Audio Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2017**

---

### **3. Judgements in applying accounting policies and key sources of estimation uncertainty**

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experiences may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year are discussed below.

#### **Estimates and assumptions**

- **Currency Fluctuation**

The effect of currency swings of Sterling' to the US Dollar and the Euro is being carefully managed to achieve our target margins. Natural hedging of the US Dollar is being achieved.

- **Intangible Fixed assets**

Intangible Fixed Costs are written off over the estimated life of the product, we have calculated the life of the products based on past experience and the expected period over which the products will be sold. The intangible additions includes capitalised labour costs.

- **Stock Provision**

We have a provision for obsolete or slow moving stock.

- **Bad Debt Provision**

We have a Bad Debt provision for debts that are not deemed recoverable.

- **Corporation Tax**

The tax figures included in this report are the provisional calculation and are not the final tax calculations.



# Naim Audio Limited

## Notes to the Financial Statements For the Year Ended 31 December 2017

### 4. Turnover

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
Sales of goods	27,576,684	26,626,298
Royalty Income	238,639	326,210
	<u>27,815,323</u>	<u>26,952,508</u>

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	11,019,904	11,639,812
Rest of Europe	8,291,247	7,846,407
Rest of the world	8,504,172	7,466,289
	<u>27,815,323</u>	<u>26,952,508</u>

### 5. Other operating income

	2017 £	2016 £
R&D expenditure tax credit	218,485	147,202

### 6. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Research & development charged as an expense	903,648	766,826
Depreciation of tangible fixed assets	321,103	254,459
Amortisation of intangible assets	989,339	688,303
Exchange differences	74,512	41,494
Other operating lease rentals	112,671	86,171
Defined contribution pension cost	72,768	44,447
<b>Fees payable to the Group's auditors and its associates for other services to the group:</b>		
- The audit of the Group's subsidiaries pursuant to legislation	27,500	24,200
- Related assurance services	15,500	14,000

# Naim Audio Limited

## Notes to the Financial Statements For the Year Ended 31 December 2017

### 7. Employees

Staff costs, including directors' remuneration, were as follows:

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
Wages and salaries	<b>5,713,230</b>	5,606,712	<b>5,699,104</b>	5,560,049
Social security costs	<b>599,777</b>	567,902	<b>598,954</b>	565,807
Cost of defined contribution scheme	<b>72,769</b>	44,765	<b>72,662</b>	44,447
	<b><u>6,385,776</u></b>	<u>6,219,379</u>	<b><u>6,370,720</u></b>	<u>6,170,303</u>

The average monthly number of employees, including the directors, during the year was as follows:

	<b>Group 2017 No.</b>	<b>Group 2016 No.</b>	<b>Company 2017 No.</b>	<b>Company 2016 No.</b>
Management & Administration	<b>62</b>	59	<b>61</b>	58
Production	<b>65</b>	74	<b>65</b>	74
Research and development	<b>29</b>	30	<b>29</b>	30
	<b><u>156</u></b>	<u>163</u>	<b><u>155</u></b>	<u>162</u>

### 8. Directors' remuneration

	<b>2017 £</b>	<b>2016 £</b>
Directors' emoluments	<b>296,434</b>	301,213
Company contributions to defined contribution pension schemes	<b>2,493</b>	2,456
	<b><u>298,927</u></b>	<u>303,669</u>

During the year retirement benefits were accruing to 2 directors (2016 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £135,426 (2016 - £140,950).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,272 (2016 - £1,248).

# Naim Audio Limited

## Notes to the Financial Statements For the Year Ended 31 December 2017

### 9. Interest receivable

	2017 £	2016 £
Other interest receivable	639	1,528
	<u>639</u>	<u>1,528</u>

### 10. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	107,023	89,033
Other loan interest payable	27,799	2,683
Loans from group undertakings	6,685	9,717
	<u>141,507</u>	<u>101,433</u>

### 11. Taxation

	2017 £	2016 £
<b>Corporation tax</b>		
Current tax on profits for the year	72,198	224
<b>Total current tax</b>	<u>72,198</u>	<u>224</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	147,079	409,898
Adjustment in respect of prior period	5,562	(33)
Effect of tax rate change on opening balance	-	(45,802)
<b>Total deferred tax</b>	<u>152,641</u>	<u>364,063</u>
<b>Taxation on profit on ordinary activities</b>	<u>224,839</u>	<u>364,287</u>

# Naim Audio Limited

## Notes to the Financial Statements For the Year Ended 31 December 2017

### 11. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is the same as (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>1,232,561</u>	<u>2,210,633</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	237,268	442,127
Effects of:		
Expenses not deductible for tax purposes	3,524	7,808
Fixed asset differences	22,352	25,145
Adjustment in respect of previous periods	5,562	(33)
Adjustment in research and development tax credit	(13,887)	7,360
Adjust closing deferred tax to closing rate	(23,631)	(118,120)
Unrelieved tax losses carried forward	(9,887)	-
Other differences	3,538	-
<b>Total tax charge for the year</b>	<u><b>224,839</b></u>	<u><b>364,287</b></u>

#### Factors that may affect future tax charges

The Budget on 8 July 2015 announced changes in the main UK corporation tax rate. The rate (currently 20%) will reduce to 19% from 1 April 2017 and to 18% from 1 April 2020. The reduction in tax rates was included in the 2015-2016 Finance Act which was substantively enacted for the purposes of IFRS and UK GAAP (i.e., having completed its Commons stages) on 26 October 2015. This will reduce the group's future tax charge accordingly. The deferred tax asset as at 31 December 2015 was calculated based on these rates.

# Naim Audio Limited

## Notes to the Financial Statements For the Year Ended 31 December 2017

### 12. Intangible assets

#### Group

	Development £
<b>Cost</b>	
At 1 January 2017	8,056,314
Additions	1,830,980
At 31 December 2017	<u>9,887,294</u>
<b>Amortisation</b>	
At 1 January 2017	1,568,039
Charge for the year	989,339
At 31 December 2017	<u>2,557,378</u>
<b>Net book value</b>	
At 31 December 2017	<u><u>7,329,916</u></u>
At 31 December 2016	<u><u>6,488,275</u></u>

The amortisation charge is recognised in administration expenses in the Statement of Income and Retained Earnings.

# Naim Audio Limited

## Notes to the Financial Statements For the Year Ended 31 December 2017

### 12. Intangible assets (continued)

#### Company

	Development £
<b>Cost</b>	
At 1 January 2017	8,056,314
Additions	1,830,980
At 31 December 2017	<u>9,887,294</u>
<b>Amortisation</b>	
At 1 January 2017	1,568,039
Charge for the year	989,339
At 31 December 2017	<u>2,557,378</u>
<b>Net book value</b>	
At 31 December 2017	<u><u>7,329,916</u></u>
At 31 December 2016	<u><u>6,488,275</u></u>

## Naim Audio Limited

### Notes to the Financial Statements For the Year Ended 31 December 2017

#### 13. Tangible fixed assets

##### Group

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Total £
<b>Cost or valuation</b>						
At 1 January 2017	2,074,651	1,054,650	49,595	1,996,792	2,906	5,178,594
Additions	1,982	41,853	-	208,022	-	251,857
Disposals	-	(95,000)	-	-	-	(95,000)
At 31 December 2017	2,076,633	1,001,503	49,595	2,204,814	2,906	5,335,451
<b>Depreciation</b>						
At 1 January 2017	1,245,441	943,987	28,318	1,315,210	2,886	3,535,842
Charge for the year on owned assets	42,628	34,108	8,797	235,550	20	321,103
Disposals	-	(85,810)	-	-	-	(85,810)
At 31 December 2017	1,288,069	892,285	37,115	1,550,760	2,906	3,771,135
<b>Net book value</b>						
At 31 December 2017	788,564	109,218	12,480	654,054	-	1,564,316
At 31 December 2016	829,210	110,663	21,277	681,582	20	1,642,752

# Naim Audio Limited

## Notes to the Financial Statements For the Year Ended 31 December 2017

### 13. Tangible fixed assets (continued)

#### Company

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<b>Cost or valuation</b>					
At 1 January 2017	2,074,651	1,054,650	49,595	1,996,792	5,175,688
Additions	1,982	41,853	-	208,022	251,857
Disposals	-	(95,000)	-	-	(95,000)
At 31 December 2017	<u>2,076,633</u>	<u>1,001,503</u>	<u>49,595</u>	<u>2,204,814</u>	<u>5,332,545</u>
<b>Depreciation</b>					
At 1 January 2017	1,245,441	943,987	28,318	1,315,210	3,532,956
Charge for the year on owned assets	42,628	34,108	8,797	235,550	321,083
Disposals	-	(85,810)	-	-	(85,810)
At 31 December 2017	<u>1,288,069</u>	<u>892,285</u>	<u>37,115</u>	<u>1,550,760</u>	<u>3,768,229</u>
<b>Net book value</b>					
At 31 December 2017	<u>788,564</u>	<u>109,218</u>	<u>12,480</u>	<u>654,054</u>	<u>1,564,316</u>
At 31 December 2016	<u>829,210</u>	<u>110,663</u>	<u>21,277</u>	<u>681,582</u>	<u>1,642,732</u>

The net book value of land and buildings may be further analysed as follows:

	2017 £	2016 £
Freehold Land	<u>200,000</u>	<u>200,000</u>



# Naim Audio Limited

## Notes to the Financial Statements For the Year Ended 31 December 2017

### 14. Fixed asset investments

#### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Focal.JMLab UK Limited	Ordinary	100 %	Distribution of speakers into the UK.

On 4 August 2017 Naim Audio Limited acquired the share capital of Focal.JMLab UK Limited. The business combination has been accounted for as a merger in accordance with FRS 102.

The aggregate of the share capital and reserves as at 31 December 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
Focal.JMLab UK Limited	56,498	50,977
	<u>56,498</u>	<u>50,977</u>

#### Company

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
Additions	1
At 31 December 2017	<u>1</u>
<b>Net book value</b>	
At 31 December 2017	<u>1</u>
At 31 December 2016	<u>-</u>

# Naim Audio Limited

## Notes to the Financial Statements For the Year Ended 31 December 2017

### 15. Stocks

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
Raw materials and consumables	<b>3,763,070</b>	2,618,650	<b>3,763,070</b>	2,618,650
Work in progress (goods to be sold)	<b>401,338</b>	124,357	<b>401,338</b>	124,357
Finished goods and goods for resale	<b>1,524,193</b>	2,029,385	<b>1,308,140</b>	1,871,329
	<b><u>5,688,601</u></b>	<u>4,772,392</u>	<b><u>5,472,548</u></b>	<u>4,614,336</u>

Stock recognised in cost of sales during the year as an expense was £17,454,865 (2016: £13,810,873).

The write down of stock to net realisable value amounted to £453,929 (2016: £576,732).

### 16. Debtors

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
Trade debtors	<b>4,642,163</b>	3,841,175	<b>4,514,890</b>	3,671,388
Amounts owed by group undertakings	<b>1,020,105</b>	278,054	<b>1,020,105</b>	278,054
Other debtors	<b>160,906</b>	170,019	<b>158,788</b>	170,019
Prepayments and accrued income	<b>94,798</b>	126,723	<b>94,798</b>	126,723
R&D credit receivable	<b>293,451</b>	284,446	<b>293,451</b>	284,446
	<b><u>6,211,423</u></b>	<u>4,700,417</u>	<b><u>6,082,032</u></b>	<u>4,530,630</u>

### 17. Cash and cash equivalents

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
Cash at bank and in hand	<b>1,386,510</b>	1,553,893	<b>1,373,305</b>	1,470,729
Less: bank overdrafts	<b>(532,471)</b>	(3,278,773)	<b>(532,471)</b>	(3,278,773)
	<b><u>854,039</u></b>	<u>(1,724,880)</u>	<b><u>840,834</u></b>	<u>(1,808,044)</u>

# Naim Audio Limited

## Notes to the Financial Statements For the Year Ended 31 December 2017

### 18. Creditors: Amounts falling due within one year

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
Bank overdrafts	532,471	3,278,773	532,471	3,278,773
Bank loans	112,793	-	112,793	-
Trade creditors	3,186,045	1,533,445	3,180,112	1,521,769
Amounts owed to group undertakings	1,559,825	1,381,289	1,318,117	766,108
Other taxation and social security	245,540	237,640	221,353	184,462
Other creditors	241,184	30,657	240,384	30,514
Accruals and deferred income	1,312,905	553,871	1,283,378	544,654
	<b>7,190,763</b>	<b>7,015,675</b>	<b>6,888,608</b>	<b>6,326,280</b>

### 19. Creditors: Amounts falling due after more than one year

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
Bank loans	1,403,702	-	1,403,702	-
	<b>1,403,702</b>	<b>-</b>	<b>1,403,702</b>	<b>-</b>

### 20. Loans

The maturity of the loans are as follows:

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
<b>Amounts falling due within one year</b>				
Bank loans	112,793	-	112,793	-
<b>Amounts falling due 1-2 years</b>				
Bank loans	159,942	-	159,942	-
<b>Amounts falling due 2-5 years</b>				
Bank loans	1,243,760	-	1,243,760	-
	<b>1,516,495</b>	<b>-</b>	<b>1,516,495</b>	<b>-</b>

# Naim Audio Limited

## Notes to the Financial Statements For the Year Ended 31 December 2017

### 21. Financial instruments

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
<b>Financial assets</b>				
Financial assets that are debt instruments measured at amortised cost	<b><u>7,174,378</u></b>	<b><u>5,843,141</u></b>	<b><u>7,031,782</u></b>	<b><u>5,590,190</u></b>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	<b><u>(8,427,809)</u></b>	<b><u>(6,778,033)</u></b>	<b><u>(8,149,841)</u></b>	<b><u>(6,141,818)</u></b>

Financial assets that are debt instruments measured at amortised cost comprise trade and other debtors, accrued income and cash in bank and in hand.

Financial liabilities measured at amortised cost comprise trade and other creditors, bank overdrafts and accruals.

### 22. Deferred taxation

#### Group

	<b>2017 £</b>	<b>2016 £</b>
At beginning of year	<b>(1,188,533)</b>	<b>(824,470)</b>
Charged to profit or loss	<b>(152,641)</b>	<b>(364,063)</b>
<b>At end of year</b>	<b><u>(1,341,174)</u></b>	<b><u>(1,188,533)</u></b>

# Naim Audio Limited

## Notes to the Financial Statements For the Year Ended 31 December 2017

### 22. Deferred taxation (continued)

#### Company

	2017 £	2016 £
At beginning of year	(1,188,533)	(824,470)
Charged to profit or loss	(152,641)	(364,063)
<b>At end of year</b>	<b>(1,341,174)</b>	<b>(1,188,533)</b>

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Accelerated capital allowances	(1,359,155)	(1,240,199)	(1,359,155)	(1,240,199)
Tax losses carried forward	-	35,591	-	35,591
Short term timing differences	17,981	16,075	17,981	16,075
	<b>(1,341,174)</b>	<b>(1,188,533)</b>	<b>(1,341,174)</b>	<b>(1,188,533)</b>

# Naim Audio Limited

## Notes to the Financial Statements For the Year Ended 31 December 2017

### 23. Share capital

	2017 £	2016 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
4,375 Ordinary shares of £1 each	<u>4,375</u>	<u>4,375</u>

### 24. Reserves

The company's capital and reserves are as follows:

#### Capital redemption reserve

The capital redemption reserve represents cumulative value of shares that have been repurchased by the company.

#### Merger Reserve

The merger reserve arose on a business combination that was accounted for as a merger in accordance with FRS 102.

#### Profit and loss account

The profit and loss account represents cumulative profits and losses, after dividends paid.

During the year certain amounts owed to group undertakings totalling £283,885 (2016 - £Nil) were waived, which gave rise to a capital contribution.

### 25. Employee benefits

During the year contributions into a defined contribution scheme of £72,768 (2016 - £44,447) were made of which £35,811 (2016 - £Nil) were outstanding at the year end.

### 26. Commitments under operating leases

At 31 December 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Not later than 1 year	58,470	41,283	58,470	41,283
Later than 1 year and not later than 5 years	54,201	42,126	54,201	42,126
	<u>112,671</u>	<u>83,409</u>	<u>112,671</u>	<u>83,409</u>

# **Naim Audio Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2017**

---

### **27. Related party transactions**

The company has taken the exemption available in Section 33.1A of FRS 102 not to disclose transactions with other wholly owned companies within the group as consolidated accounts, including the results of Naim Audio Limited are publicly available.

Key management personnel include all directors across the group who together have authority and responsibility for planning, directing and controlling the activities of the group.

The total compensation paid to key management personnel for services provided to the group was £298,927 (2016 - £303,669).

### **28. Ultimate parent company and controlling party**

The company's parent company is the French company Vervent Audio Group, which holds 100% of the company's issued share capital.

The largest and smallest group in which the results of the company are consolidated is that headed by Vervent Audio Group, a company incorporated in France.

The ultimate controlling party of Vervent Audio Group is Naxicap Partners.