Calrec Audio Limited

Annual report and financial statements

Registered number 2392336

31 March 2016

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Strategic report

Principal Activities

The principal activity of the company during the period was the design, manufacture, sale and support of audio consoles for TV and Radio broadcast.

Business Model

The strategy of the company is to extend the product range, expand geographically and develop more advanced products which outperform those of our competitors in our chosen markets. The company has a continual focus on reducing manufacturing cost and internal process improvements.

Business review and results

The profit for the year, after taxation, amounted to £2,142,436 (2015: £815,643).

The business environment for Calrec during this period remained largely stable but trading conditions in Russia remain very challenging. Revenue for the year was 2.4% up on the previous year. The company continues to strive to deliver its strategic goals for product and geographic expansion.

Calrec continued to invest in the refinement and extension of the technology platform, launching a number of key software releases during the year and more importantly having launched the Summa 128 in the previous year. Throughout the current year we launched a new lower price point console with a view to launch at NAB in April 2016. We will continue to enhance the product range for existing customers and also to further expand into new markets.

Calrec is part of a Group of companies called Audiotonix Ltd.

Key performance indicators

Turnover	Period to March 2016 - £16.7m (2015:£16.3m)
Operating Profit	Period to March 2016 - £2.8m (2015:£1.0m)

The key performance indicators used by the company are turnover and operating profit.

Principal risks and uncertainties

The principal risks to the company include increased competition, macro-economic factors affecting our customer base, fall in market demand, increases in electronic component prices, scarcity of electronic components and adverse exchange variations, all of which are beyond our control. Following the vote for Brexit we have considered the possible implications for Calrec. As we typically export 85% of our products there could be some short term upsides due to favourable exchange movements. However this will be off-set in part by higher imported material costs and US $ commission payments. It is too early at this stage to say what the full impact will be.

Future developments

Calrec will continue to invest in the development of new technology platforms and will have further product launches in the next year.

By order of the board

Keith Edwards
Finance Director

25 August 2016

Directors' report

Research and development

The company has a policy of continuing to invest in research and development of new products.

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 company has no external borrowings. The company does not use hedge accounting and any payments made in foreign currencies are translated at the date of transaction or funded from a bank account denominated in the relevant currency meaning that its cash flow risk in respect of foreign exchange transactions is low.

Political and charitable contributions

The company made no political donations or incurred any disclosable political expenditure during the period. Local charity donations amounted to £5,706 (2015:£1,268.)

Proposed dividend

During the year the directors have not declared or paid a dividend *(2015:Nil)*.

Directors

The directors who held office during the year were as follows:

K Edwards
H Goodman
JP Warrington
N Beaumont (appointed 1 January 2016)

Directors' report *(continued)*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Keith Edwards
Finance Director

Nutclough Mill, Hebden Bridge, West Yorkshire, HX7 8EZ
25 August 2016

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
United

Independent auditor's report to the members of Calrec Audio Limited

We have audited the financial statements of Calrec Audio Ltd for the year ended 31 March 2016 set out on pages 7 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter[s] prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Calrec Audio Limited *(continued)*

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.

Jonathan Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

26 August 2016

Profit and Loss Account and Other Comprehensive Income

for the year ended 31st March 2016

	Note	**2016** £	2015 £
Turnover	*2,4*	**16,735,832**	16,349,250
Cost of sales		**(5,509,132)**	(6,615,478)
Gross profit		**11,226,700**	9,733,772
Distribution costs		**(3,540,286)**	(3,421,919)
Administrative expenses		**(4,912,997)**	(5,685,492)
Other operating income		**-**	385,155
Operating profit	*3*	**2,773,417**	1,011,516
Other interest receivable and similar income	*6*	**7,984**	2,155
Interest payable and similar charges	*7*	**(141,279)**	(55,352)
Profit on ordinary activities before taxation		**2,640,122**	958,319
Tax on profit from ordinary activities	*8*	**(497,686)**	(142,676)
Profit for the financial year		**2,142,436**	815,643

The results reflected above are entirely in relation to continuing operation.

The company has no recognised gains and losses other than the profit above and therefore no separate statement of other comprehensive income has been prepared.

The notes from page 10 to 23 form part of these financial statements.

Balance Sheet
at 31st March 2016

	Note	2016	2015
		£	£
Fixed assets			
Tangible assets	9	**685,708**	1,023,329
Investments	10	**245,001**	238,877
		930,709	1,262,206
Current assets			
Stocks	11	**2,550,005**	2,607,882
Debtors	12	**6,968,609**	1,750,131
Cash at bank and in hand		**1,181,933**	1,110,783
		10,700,547	5,468,796
Creditors: amounts falling due within one year	13	**(4,991,139)**	(2,233,321)
Net current assets		**5,709,408**	3,235,475
Total assets less current liabilities		**6,640,117**	4,497,681
Net assets		**6,640,117**	4,497,681
Capital and reserves			
Called up share capital	16	**52,721**	52,721
Share premium account		**21,088**	21,088
Profit and loss account		**6,566,308**	4,423,872
Shareholders' funds		**6,640,117**	4,497,681

These financial statements were approved by the board of directors on 25 August 2016 and were signed on its behalf by:

Keith Edwards
Director

Company registered number: 2392336

The notes on pages 10 to 23 form part of these financial statements.

Statement of Changes in Equity

	Called up Share capital	Share Premium account	Profit and loss account	Total equity
	£	£	£	£
Balance at 1st April 2014	52,721	21,088	3,608,229	3,682,038
Total comprehensive income for the period				
Profit	-	-	815,643	815,643
Total comprehensive income for the period	-	-	815,643	815,643
Total contributions by and distributions to owners	-	-	-	-
Balance at 31st March 2015	**52,721**	**21,088**	**4,423,872**	**4,497,681**

	Called up Share capital	Share Premium account	Profit and loss account	Total equity
	£	£	£	£
Balance at 1st April 2015	52,721	21,088	4,423,872	4,497,681
Total comprehensive income for the period				
Profit	-	-	2,142,436	2,142,436
Total comprehensive income for the period	-	-	2,142,436	2,142,436
Total contributions by and distributions to owners	-	-	-	-
Balance at 31st March 2016	**52,721**	**21,088**	**6,566,308**	**6,640,117**

Notes
(forming part of the financial statements)

1 Accounting policies

Calrec Audio Limited is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101.

In the transition to FRS 101 from Adopted IFRS, the Company has made no measurement and recognition adjustments.

The Company's parent undertaking, Audiotonix Ltd, includes the Company in its consolidated financial statements. The consolidated financial statements of Audiotonix Ltd are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained (upon payment of appropriate fees) by writing to Companies House, Crown Way, Cardiff, CF14 3UZ.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet at 01/04/2015 for the purposes of the transition to FRS 101.

There are no judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

1.2 Going concern

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company is expected to have a sufficient level of financial resources available through current facilities and therefore the directors believe that the company is well placed to manage its business risks successfully despite the economic uncertainty. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to prepare the financial statements on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in debt and equity securities

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Plant, equipment, fixtures and fittings & leasehold improvements	- 4 years
Motor vehicles	- 4 years
Computer equipment	- 4 years
R&D Components	- 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.7 Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities would 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

Notes *(continued)*

1 Accounting policies *(continued)*

intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. Other development expenditure is recognised in the profit and loss account as an expense as incurred. None of the development type costs incurred to date fully meet the capitalisation criteria.

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the last negotiated price principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.9 Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Notes *(continued)*

1 Accounting policies *(continued)*

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.11 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.12 Turnover

Turnover represents the net invoiced value of goods and services delivered to customers excluding sales taxes. Apart from console sales part of Calrec's revenue is from services. Calrec provides annual maintenance contracts to some customers which include on site visit for software upgrades and training. Calrec also provides support to customers for major broadcast events such as the Olympics and Football World Cup.

1.13 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes *(continued)*

2 Turnover

	2016 £	2015 £
Sale of goods	**16,302,475**	16,018,985
Rendering of services	**433,357**	330,265
Total turnover	**16,735,832**	16,349,250

By geographical market		
UK	**2,675,572**	1,002,505
Rest of EU	**1,063,878**	1,181,318
Rest of World	**12,996,382**	14,165,427
	16,735,832	16,349,250

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2016 £	2015 £
Research and development expensed as incurred	**2,508,205**	2,805,525
Depreciation	**387,444**	493,760

Auditor's remuneration:

	2016 £	2015 £
Audit of these financial statements	**25,540**	24,960
Amounts receivable by the company's auditor and its associates in respect of:		
Tax advisory services	**28,440**	29,770

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Administrative	**88**	102
Production	**44**	52
	132	154

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£	£
Wages and salaries	**4,147,783**	4,338,032
Social security costs	**447,806**	424,911
Contributions to defined contribution plans	**338,267**	356,346
	4,933,856	5,119,289

5 Directors' remuneration

	2016	2015
	£	£
Directors' remuneration	**340,356**	310,787
Company contributions to money purchase pension plans	**33,799**	18,283

	Number of directors	
	2016	2015
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**4**	4

Notes *(continued)*

6 Other interest receivable and similar income

	2016	2015
	£	£
Interest income on unimpaired financial assets	**7,984**	2,155
Total interest receivable and similar income	**7,984**	2,155

Interest receivable and similar income includes income from group undertakings of £7,984 *(2015: £2,155).*

7 Interest payable and similar charges

	2016	2015
	£	£
Net foreign exchange loss	**141,279**	55,352
Total other interest payable and similar charges	**141,279**	55,352

Notes *(continued)*

8 Taxation

Recognised in the profit and loss account

	2016 £000	£000	2015 £000	£000
UK corporation tax				
Current tax on income for the period	**567,966**		336,144	
Adjustments in respect of prior periods	**(97,599)**		4,948	
Total current tax charge		470,367		341,092
Deferred tax (see note 14)				
Origination and reversal of temporary differences	**(27,392)**		(205,074)	
Adjustments in respect of prior periods	**51,428**		-	
Effect of tax rate change on opening balance	**3,283**		6,658	
Total deferred tax charge/(credit)		**27,319**		(198,416)
Tax on profit on ordinary activities		**497,686**		142,676

The current tax charge for the period is lower (2015: higher) than the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below:

Reconciliation of effective tax rate

	2016 £000	2015 £000
Profit for the year	**2,142,436**	815,643
Total tax charge	**497,686**	142,676
Profit excluding taxation	**2,640,122**	958,319
Tax using the UK corporation tax rate of 20% (2015: 21%)	**528,024**	201,247
Effect of fixed asset differences	**14,087**	-
Effect of expenses not deductible for tax purposes	**1,134**	222,135
Adjustments to tax charge in respect of previous periods	**(97,599)**	11,606
Adjustments to tax charge in respect of previous periods – deferred tax	**51,428**	-
Adjust closing deferred tax to average rate of 20%	**612**	-
R&D expenditure credits	-	(41,352)
Adjust closing deferred tax to average rate of 21%	-	8,612
Adjust opening deferred tax to average rate of 21%	-	1,641
Other tax adjustments, reliefs and transfers	-	(261,213)
Total tax charge	**497,686**	142,676

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 201·) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at the balance sheet date has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016.

Notes *(continued)*

9 Tangible fixed assets

	Plant & Machinery, Fixtures & Fittings, Leasehold Improvements	Motor Vehicles	Computer Equipment	R&D Components	Total
	£	£	£	£	£
Cost					
Balance at 1st April 2015	2,061,041	14,981	322,717	462,981	2,861,720
Acquisitions	35,196	-	-	14,627	49,823
Balance at 31st March 2016	2,096,237	14,981	322,717	477,608	2,911,543
Depreciation and impairment					
Balance at 1st April 2015	1,267,189	14,981	185,762	370,459	1,838,391
Depreciation charge for the year	260,808	-	55,741	70,895	387,444
Balance at 31st March 2016	1,527,997	14,981	241,503	441,354	2,225,835
Net book value					
At 31st March 2015	793,852	-	136,955	92,522	1,023,329
At 31st March 2016	**568,240**	**-**	**81,214**	**36,254**	**685,708**

10 Fixed asset investments

	Other investments other than loans	Total
	£	£
Cost		
At beginning of year	238,877	238,877
Additions	6,124	6,124
At end of year	245,001	245,001
Provisions		
At beginning and end of year	-	-
Net book value		
At 31 March 2016	**245,001**	**245,001**
At 31 March 2015	238,877	238,877

The Company has the following investments in subsidiaries:

	Country of Incorporation	Class of shares held	Ownership 2016	Ownership 2015
Calrec Audio America LLC	USA	Ordinary	**100%**	100%

Notes *(continued)*

11 Stocks

	2016	2015
	£	£
Raw materials and consumables	**1,843,369**	1,901,935
Work in progress	**423,071**	586,003
Finished goods	**283,565**	119,944
	2,550,005	2,607,882

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £3,308,361 *(2015:£3,910,499)*. The write-down of stocks to net realisable value amounted to £404,476 *(2015: £82,267)*.

12 Debtors

	2016	2015
	£	£
Trade debtors	**2,789,874**	1,353,469
Amounts owed by group undertakings (Note 13a)	**3,428,478**	-
Amounts owed by group undertakings in which the company has a participating interest (Note 13a)	**493,576**	-
Corporation tax	-	44,063
Deferred tax asset (Note 14)	**5,508**	32,827
Prepayments and accrued income	**251,173**	319,772
Due within one year	**6,968,609**	1,750,131

13 Creditors: amounts falling due within one year

	2016	2015
	£	£
Payments received on account	**1,784,171**	317,304
Trade creditors	**1,051,254**	831,631
Amounts owed to group undertakings (Note 13a)	-	53,563
Corporation tax	**577,929**	-
Other tax and social security	**134,970**	175,686
Accruals and deferred income	**1,442,815**	855,137
Due within one year	**4,991,139**	2,233,321

13a – Amounts owed to and from Group undertakings consists of the following year end payables/receivables with other Group companies; Calrec owes £69,021 to Mixer Bidco and £232,351 to DigiCo and is owed £562,597 from Calrec Audio America LLC and £3,660,829 from Console Bidco.

Notes *(continued)*

14 Deferred tax (assets)/liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2016 £	2015 £	Liabilities 2016 £	2015 £	Net 2016 £	2015 £
PPE	**(156)**	(25,780)	**-**	-	**(156)**	(25,780)
Provisions	**(5,352)**	(7,047)	**-**	-	**(5,352)**	(7,047)
Tax (assets) / liabilities	**(5,508)**	(32,827)	**-**	-	**(5,508)**	(32,827)
Net of tax liabilities/(assets)	**-**	-	**-**	-	**-**	-
Net tax (assets) / liabilities	**(5,508)**	(32,827)	**-**	-	**(5,508)**	(32,827)

15 Employee benefits

Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £338,267 *(2015: £356,316)*.

16 Capital and reserves

Share capital

	2016 £	2015 £
Allotted, called up and fully paid		
52,721 (2015 : 52,721) Ordinary shares of £1 each	**52,721**	52,721
Shares classified in shareholders' funds	**52,721**	52,721

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016	2015
	£	£
Less than one year	**368,442**	379,190
Between one and five years	**1,434,000**	1,443,942
More than five years	**2,289,490**	2,647,990
	4,091,932	4,471,122

The company has a lease on its manufacturing and office facilities and also several operating leases for cars and vans.

During the year £381,890 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £384,390).

18 Related parties

Identity of related parties with which the Company has transacted

Related parties of the Company are group and other members within the group. Transactions in the year include management charges from group, purchases and sales made to other members of the group and subsidiary.

The wholly-owned exemption has been taken.

19 Ultimate parent company and parent company of larger group

The immediate parent Company for Calrec is Mixer Bidco Limited

Both of the largest and smallest group in which the results of the Company are consolidated is Audiotonix Limited. The consolidated financial statements of Audiotonix Limited are available to the public and may be obtained (upon payment of appropriate fees) by writing to Companies House, Crown Way, Cardiff, CF14 3UZ.

20 Accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates.

Impairment of debtors

When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.