

**Calrec Audio Limited**

**Directors' report and financial  
statements**

**Registered number 2392336**

**31 March 2014**



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## **Company information**

### **Directors**

JP Warrington	
GM Rogers	resigned 2nd July 2013
R Henderson	resigned 25th July 2014
D Jones	resigned 2nd July 2013
K Edwards	appointed 2nd July 2013
H Goodman	appointed 19th March 2014

### **Secretary**

Keith Edwards

### **Registered office**

Nutclough Mill  
Hebden Bridge  
Halifax  
HX7 8EZ

## 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 manufactured cost and internal process improvements.

### Business review and results

The profit for the year, after taxation, amounted to £2,627,326 (2013: £2,996,115).

The business environment for Calrec during this period continued to be strong, revenue fell from March 2013 but largely to due accounting treatment of shipments to the USA in March 2013 and March 2014. The company continues to strive to deliver its strategic goals for product and geographic expansion.

Calrec continued to invest in the development of the technology platform, launching a number of key software releases during the year and more importantly launched its new Summa console which will allow the Company to provide additional products to existing customers and also to further expand into new markets. Products derived from the Apollo platform now represent over 93% of the company's revenue.

On the 19<sup>th</sup> March 2014 Calrec was acquired by Electra Partners, a UK Private Equity Company.

### Key performance indicators

Turnover	Period to 31 March 2014 –£16.5m (2013:£18.6m)
Operating profit	Period to 31 March 2014 – £2.7m (2013: 3.0m)
Profit before exceptional	Period to 31 March 2014 - £1.8m (2013: £3.0m)

The key performance indicators used by the company are turnover, operating profit and profit before exceptional costs.

### Principal risks and uncertainties

The principle 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 foreign exchange variations, all of which are beyond our control.

### Future developments

Calrec will continue to invest in the development of new technology platforms and will have further product launches in the next year. Further to the launch of Summa 180 in 2013 the Company plans to launch a 128 channel product in 2014 and continue with the extensive software developments.

By order of the board



**K. Edwards**  
Director

Nutclough Mill  
Hebden Bridge  
Halifax  
HX7 8EZ

17 December 2014

## Directors' report

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

### Directors

The directors who served during the period were as follows:

JP Warrington	
GM Rogers	resigned 2nd July 2013
R Henderson	resigned 25th July 2014
D Jones	resigned 2nd July 2013
K Edwards	appointed 2nd July 2013
H Goodman	appointed 19th March 2014

### Dividends

As part of the acquisition by Electra Partners (see note 21) the directors paid a dividend of £15,861,832 (2013: *£nil*).

### 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.

### Research and development

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

### Political and charitable contributions

The Company made no political donations or incurred any disclosable political expenditure during the period. Local charity donations amounted to £2,338 (2013: £2,567).


### 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.

### 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

  
**K. Edwards**  
Director

Nutclough Mill  
Hebden Bridge  
Halifax  
HX7 8EZ

17 December 2014

## **Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements**

The directors are responsible for preparing the Strategic Report, 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).

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 group and parent company and of their profit or loss of the company for that period.

In preparing each of the group and parent financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and parent to prevent and detect fraud and other irregularities.



KPMG LLP

1 The Embankment  
Neville Street  
Leeds  
LS1 4DW  
United Kingdom

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

We have audited the financial statements of Calrec Audio Limited for the year ended 31 March 2014 set out on pages 7 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditors**

As explained more fully in the 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](http://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 2014 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 prescribed by the Companies Act 2006**


In our opinion the information given in the Strategic Report and the Directors' Report for the financial period 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.



**Johnathan Pass (Senior Statutory Auditor)**

For and on behalf of

**KPMG LLP, Statutory Auditor**

*Chartered Accountants*

1 The Embankment

Neville Street

Leeds

West Yorkshire

LS1 4DW

19/12/2014



## Profit and loss account

*For the year ended 31 March 2014*

	<i>Note</i>	2014 £	2013 £
<b>Turnover</b>	2	16,491,166	18,561,189
Cost of sales		(5,902,969)	(6,365,831)
		<hr/>	<hr/>
<b>Gross profit</b>		10,588,197	12,195,358
Selling and distribution costs		(3,828,713)	(4,168,659)
Administrative expenses		(4,091,382)	(5,058,128)
		<hr/>	<hr/>
<b>Operating profit before exceptional costs</b>		1,801,316	2,968,571
Reversal of intercompany loan provision	3	2,000,000	-
Exceptional costs	3	(1,133,214)	-
		<hr/>	<hr/>
<b>Operating profit</b>	3	2,668,102	2,968,571
Interest receivable	6	21,692	117,970
Other finance income/(costs)	7	9,016	(56,799)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		2,698,810	3,029,742
Tax on profit on ordinary activities	8	(71,484)	(33,627)
		<hr/>	<hr/>
<b>Profit for the financial period</b>	16	2,627,326	2,996,115
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations.

The notes on pages 9 to 17 form part of these financial statements.

There were no recognised gains or losses other than those included in the profit and loss account, therefore, no separate Statement of Total Recognised Gains and Losses has been presented.

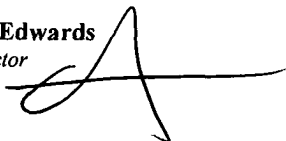
## Balance sheet

at 31 March 2014

	Note	2014 £	2013 £
<b>Fixed assets</b>			
Tangible assets	9	2,392,090	1,720,603
Investments	10	238,877	-
		<u>2,630,967</u>	<u>1,720,603</u>
<b>Current assets</b>			
Stocks	11	3,520,890	3,128,801
Debtors	12	1,638,171	15,859,022
Cash at bank and in hand		1,205,988	1,425,454
		<u>6,365,049</u>	<u>20,413,277</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(4,729,476)</u>	<u>(4,660,322)</u>
<b>Net current assets</b>		<u>1,635,573</u>	<u>15,752,955</u>
<b>Total assets less current liabilities</b>		<u>4,266,540</u>	<u>17,473,558</u>
<b>Provisions for liabilities and charges</b>	14	<u>(165,589)</u>	<u>(116,101)</u>
<b>Net assets</b>		<u>4,100,951</u>	<u>17,357,457</u>
<b>Capital and reserves</b>			
Called up share capital	15	52,721	52,721
Share premium	16	21,088	21,088
Profit and loss account	16	4,027,142	17,283,648
<b>Shareholders' funds</b>		<u>4,100,951</u>	<u>17,357,457</u>

These financial statements were approved by the board of directors on ~~17 December~~ 2014 and were signed on its behalf by:

**K. Edwards**  
Director



The notes on pages 9 to 17 form part of these financial statements

## Notes

*(forming part of the financial statements)*

### **1 Accounting policies**

The following accounting policies have been applied in dealing with items which are considered material in relation to the company's financial statements.

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.

#### ***Revenue Recognition***

Revenue and profit are recognised based on the terms of the sales, for the majority of sales the revenue is recognised on despatch. For a proportion of the export sales the risk and reward of ownership transfers on the customer's receipt of the goods based on the trading terms agreed and these sales are recognised on the date received by the customer.

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. Under FRS1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

#### ***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.

#### ***Turnover***

Turnover represents the net invoiced value of goods and services delivered to customers excluding sales taxes.

#### ***Tangible fixed assets and depreciation***

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant, equipment, fixtures and fittings	-	25% straight line
Motor vehicles	-	25% straight line
Computer equipment	-	25% straight line

#### ***Operating leases***

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

#### ***Stocks***

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### *Taxation*

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### *Research and development*

Research and development expenditure is written off in the period in which it is incurred.

#### *Pensions*

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the period.

### 2 Turnover

All turnover is attributable to one class of business.

A geographical analysis of turnover is as follows:

	2014 £	2013 £
United Kingdom	2,134,968	2,962,914
Rest of European Union	2,474,972	38,823
Rest of world	11,881,226	15,559,452
	<hr/>	<hr/>
	16,491,166	18,561,189
	<hr/>	<hr/>

## Notes (continued)

### 3 Notes to the profit and loss account

<i>Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):</i>	2014	2013
	£	£
<i>Auditors' remuneration:</i>		
Audit of these financial statements	19,230	19,230
Other services relating to taxation	11,090	7,900
Depreciation of tangible fixed assets - owned	397,923	334,855
Hire of other assets – operating leases	294,707	209,589
Research and development expenditure	3,070,286	2,798,782
Foreign exchange losses/(gains)	(9,019)	56,799
Loss on disposal of tangible fixed asset	12,481	-
<b>Exceptional (gain)/losses</b>		
Reversal of the intercompany loan provision	(2,000,000)	-
Legal settlement	1,044,469	-
Group restructure	88,745	-

The reversal of the intercompany loan provision relates to the provision made against a group loan in 2012. This has been reversed as the balance has been formally waived by the company and the balance has now been treated as a distribution in the year.

The legal settlement relates to costs associated with the finalised settlement of a legal case in relation to a patent dispute with a competitor.

Group restructure costs relate to costs incurred by the business in relation to the acquisition by Electra Partners during the period.

### 4 Remuneration of directors

	2014	2013
	£	£
Directors' emoluments	314,734	263,590
Company pension contributions to money purchase pension scheme	17,375	16,035

During the year retirement benefits were accruing to four directors (2013: two) in respect of money purchase pension schemes. The number of directors who exercised share options during the period was nil (2013: £nil).

The highest paid director received remuneration of £163,851 (2013: £179,515)

## Notes (continued)

### 5 Staff numbers and costs

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

	Number of employees	
	2014	2013
Administration	100	93
Production	57	55
	<hr/>	<hr/>
	157	148
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2014 £	2013 £
Wages and salaries	4,914,869	4,561,694
Social security costs	483,123	428,097
Other pension costs (see note 17)	117,979	110,126
	<hr/>	<hr/>
	5,515,971	5,099,917
	<hr/>	<hr/>

### 6 Interest receivable

	2014 £	2013 £
Receivable from group undertakings	21,692	117,970
	<hr/>	<hr/>
	21,692	117,970
	<hr/>	<hr/>

### 7 Other finance costs

	2014 £	2013 £
Foreign exchange gains/(losses)	9,016	(56,799)
	<hr/>	<hr/>
	9,016	(56,799)
	<hr/>	<hr/>

## Notes (continued)

### 8 Taxation

#### Analysis of charge in period

	2014 £	2013 £
<i>UK corporation tax</i>		
UK Corporation tax at 23% (2013: 24%)	-	-
Adjustments in respect of prior periods	21,996	-
	<hr/>	<hr/>
Total current tax charge/(credit)	21,996	-
<i>Deferred tax (see note 13)</i>		
Origination/reversal of timing differences	68,696	36,667
Effect of change in tax rate on opening balance	(14,534)	(3,454)
Adjustments in respect of prior periods	(4,674)	414
	<hr/>	<hr/>
Total deferred tax charge	49,488	33,627
	<hr/>	<hr/>
Tax on profit on ordinary activities	71,484	33,627
	<hr/>	<hr/>

#### Factors affecting the tax charge for the current year

The current tax charge for the period is lower (2013: lower) than the standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are explained below:

	2014 £	2013 £
Profit on ordinary activities before tax	2,698,810	3,029,742
	<hr/>	<hr/>
Current tax at 23% (2013: 24%)	620,726	727,138
Effects of:		
Expenses not deductible for tax purposes	18,099	8,976
Capital allowances for year in excess of depreciation	(80,391)	(38,261)
Group relief	(99,825)	(697,853)
Short term timing differences	1,391	-
Income not deductible for tax purposes	(460,000)	-
Adjustments to tax charge in respect of prior periods	21,996	-
	<hr/>	<hr/>
Total current tax charge (see above)	21,996	-
	<hr/>	<hr/>

A reduction in the UK corporation tax rate from 24% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012, and further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2014 has been calculated based on the rate of 20% enacted at the balance sheet date.

## Notes (continued)

### 9 Tangible fixed assets

	Plant equipment, fixtures and fittings and leasehold improvements £	Motor vehicles £	Computer equipment £	R&D desks £	Sale demo & rental desks £	Total £
<b>Cost</b>						
At beginning of period	1,339,433	9,964	262,722	379,580	808,489	2,800,188
Additions	364,733	2,851	11,328	186,917	779,027	1,344,856
Disposals	(1,380)	-	(76,668)	-	(262,967)	(341,015)
At end of period	1,702,786	12,815	197,382	566,497	1,324,549	3,804,029
<b>Depreciation</b>						
At beginning of period	681,613	9,132	159,676	229,164	-	1,079,585
Charge for the period	261,184	2,233	41,814	92,692	-	397,923
On disposals	(1,380)	-	(64,189)	-	-	(65,569)
At end of period	941,417	11,365	137,301	321,856	-	1,411,939
<b>Net book value</b>						
At 31 March 2014	761,369	1,450	60,081	244,641	1,324,549	2,392,090
At 31 March 2013	657,820	832	103,046	150,416	808,489	1,720,603

### 10 Investments

	£
<b>Cost</b>	
At beginning of the period	-
Additions (see note 20)	238,877
At 31 March 2014	238,877
<b>Provisions</b>	
At beginning of the period	-
At end of period	-
At 31 March 2014	238,877
At 31 March 2013	-

The company owns the following interests in subsidiary undertakings:

Name	Interest in ordinary shares	Principal activity	Country of incorporation
Calrec Audio America LLC (see note 20)	100%	Sale of audio equipment	USA



## Notes (continued)

### 11 Stocks

	2014 £	2013 £
Raw materials	2,388,018	2,294,535
Work in progress	958,187	770,897
Finished goods and goods for resale	174,685	63,369
	<u>3,520,890</u>	<u>3,128,801</u>

### 12 Debtors

	2014 £	2013 £
Trade debtors	1,235,423	1,961,463
Amounts owed by group undertakings	132,456	13,361,392
Prepayments and accrued income	270,292	536,168
	<u>1,638,171</u>	<u>15,859,022</u>

During the period as part of the acquisition by Electra Partners the previous intercompany loans were waived and as a result have been distributed to the previous parent company D&M Audio Holdings UK Limited as dividends.

### 13 Creditors: amounts falling due within one year

	2014 £	2013 £
Payments received on account	1,161,367	1,470,075
Trade creditors	1,857,202	1,764,251
Taxation and social security	306,798	143,672
Corporation tax	21,996	-
Accruals and deferred income	1,382,113	1,282,324
	<u>4,729,476</u>	<u>4,660,322</u>

### 14 Provisions for liabilities and charges

	2014 £	2013 £
At beginning of year	116,101	82,474
Charge for the year	49,488	33,627
At end of year	<u>165,589</u>	<u>116,101</u>

## Notes (continued)

### 14 Provisions for liabilities and charges (continued)

Provisions relate to deferred tax liabilities. The deferred tax liability is made up as follows:

	2014 £	2013 £
Difference between accumulated depreciation and amortisation and capital allowances	171,530	118,395
Other timing differences	(5,941)	(2,294)
	<u>165,589</u>	<u>116,101</u>

### 15 Called up share capital

	2014 £	2013 £
<i>Authorised, allotted, called up and fully paid</i> 52,721 (2013: 52,721) ordinary shares of £1 each	<u>52,721</u>	<u>52,721</u>

### 16 Reserves

	Share premium 2014 £	2013 £	Profit and loss account 2014 £	2013 £
Opening position	21,088	21,088	17,261,648	14,287,533
Profit for the financial year	-	-	2,627,326	2,996,115
Dividend paid	-	-	(15,861,832)	-
	<u>21,088</u>	<u>21,088</u>	<u>4,027,142</u>	<u>17,283,648</u>

### 17 Pensions

#### *Defined contribution pension scheme*

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £117,979 (2013: £110,126).

Contributions amounting to £29,703 (2013: £23,655) were payable to the scheme and are included in creditors.

## Notes (continued)

### 18 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	<b>Land and buildings</b>	
	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Operating leases which expire:		
Within 1 year	<b>62,750</b>	<b>8,274</b>
In the second to fifth years inclusive	<b>21,890</b>	<b>71,282</b>
Beyond 5 years	<b>195,000</b>	<b>195,000</b>
	<u><b>          </b></u>	<u><b>          </b></u>

### 19 Related party transactions

Pension scheme contributions paid by the company into the Calrec Audio Directors Pension Scheme during the year amounted to £nil (2013: £nil).

### 20 Acquisition

On 2<sup>nd</sup> April 2014 Calrec Audio Ltd acquired 100% of the assets of Calrec Audio America LLC from Digital Networks North America Inc, for consideration of £238,877 paid in cash.

Calrec Audio America LLC acts to sell Calrec Audio products into the US market place.

The investment is consolidated at a higher level in the group and for the purposes of the Calrec Audio Limited company accounts the investment will be held in line with the consideration and acquisition costs paid and assessed annually for impairment.

### 21 Ultimate parent company and parent undertaking of larger group of which the company is a member

The immediate parent Company for Calrec is Mixer Bidco Limited.

The largest group in which the results of the Company are consolidated is Console Topco Limited. The smallest group in which they are consolidated is also Console Topco Limited. The consolidated financial statements of Console Topco Limited are available to the public.