Registered number: 02590367

LIBERATOR LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

LIBERATOR LIMITED

COMPANY INFORMATION

DIRECTORS	Mr D H Hershberger Mr I C Thompson
COMPANY SECRETARY	Mr I C Thompson
REGISTERED NUMBER	02590367
REGISTERED OFFICE	Whitegates 25-27 High Street Swinstead Lincolnshire NG33 4PA
INDEPENDENT AUDITORS	Peters Elworthy & Moore Chartered Accountants & Statutory Auditors Salisbury House Station Road Cambridge CB1 2LA

LIBERATOR LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019

INTRODUCTION

The directors present their strategic report and business review, which includes the principal risks and uncertainties of the business and key performance indicators.

BUSINESS REVIEW

Liberator Limited provide Augmentative and Alternative Communication (AAC) products and services directly to customers in the UK and Ireland and also globally through subsidiary companies in Germany (Prentke Romich Gmbh) and Australia (Liberator Pty Ltd). Elsewhere Liberator works with a network of regional distributors.

Liberator Group turnover rose from $11.2M to $12.2M (+8.6%) on a like-for-like basis (adjusted for foreign currency movements) and operating profit rose by 53% to $1.6M (unconsolidated). Turnover through Liberator Ltd rose by +1.4% however operating profit declined by $143K (after excluding dividend income from group undertakings) primarily due to increased staff costs as a result of an increase in field staff personnel to serve new regions. It is anticipated that we will see the benefit of these appointments in the following financial year.

All legal entities enjoy a very healthy balance sheet which enabled a $2M dividend to be paid in the year with minimal impact on liquidity. New and improved products were launched in 2019 with more scheduled for 2020. We continue to focus on providing the best quality range of new and improved AAC products to meet the varying needs of our clients as well as delivering unrivalled support to these clients and their support teams in order to ensure that the best possible outcomes are achieved.

PRINCIPAL RISKS AND UNCERTAINTIES

The deterioration of GBP vs USD continues to represent a risk to our cost of sales margin. Brexit continues to be a risk for our EU export market. However, as we have a subsidiary company based in Germany, a viable contingency plan exists in the event of a 'No Deal' Brexit. The most significant ongoing risk to our business (and industry) is the level of NHS funding provided.

FINANCIAL KEY PERFORMANCE INDICATORS

- Turnover Growth: +1.4% (FY19); -16.5% (FY18)
- Gross Margin %: 29.0% (FY19); 31.2% (FY18)
- Operating Profit % Turnover: 1.0% (FY19); 4.1% (FY18) - after excluding income from group undertakings

OTHER KEY PERFORMANCE INDICATORS

- New opportunities added/won
- Number of repairs/tickets
- Staff/other costs as a % of turnover

This report was approved by the board and signed on its behalf by:

Mr I C Thompson
Director

Date: 29 November 2019

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present their report and the financial statements for the year ended 30 September 2019.

PRINCIPAL ACTIVITY

The principal activity of the Company during the period was to provide Augmentative and Alternative Communication (AAC) products and services in the UK and Ireland.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to US$1,324,347 (2018 -US$172,820).

Dividends amounting to $633,600 were delcared in the year ended 30 September 2019 (2018 - $NIL). No dividends have been declared subsequent to the year end.

DIRECTORS

The directors who served during the year were:

Mrs M E Broehl (resigned 29 October 2019)
Mr D H Hershberger
Mr I C Thompson

DIRECTORS' RESPONSIBILITIES STATEMENT

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 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2019

DISCLOSURE OF INFORMATION TO AUDITORS

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's auditors are 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's auditors are aware of that information.

FUTURE DEVELOPMENTS

In 2020 Liberator Ltd will continue to provide a wide range of industry leading AAC products which are well regarded for their durability, unrivalled support and the effective outcomes they deliver. We therefore expect another productive and exciting year in all our markets.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end.

AUDITORS

The auditors, Peters Elworthy & Moore, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:

Mr I C Thompson
Director

Date: 29 November 2019

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LIBERATOR LIMITED

OPINION

We have audited the financial statements of Liberator Limited (the 'Company') for the year ended 30 September 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, 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 Company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 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.

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 Auditors' 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.

OPINION 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' 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, 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement on page 2, 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 determine 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 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 Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LIBERATOR LIMITED (CONTINUED)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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 Auditors' 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 on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

USE OF OUR REPORT

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.

Warren Tilbury (Senior Statutory Auditor)

for and on behalf of
Peters Elworthy & Moore

Chartered Accountants
Statutory Auditors

Salisbury House
Station Road
Cambridge
CB1 2LA

29 November 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 US$	2018 US$
Turnover	4	**4,767,730**	4,618,480
Cost of sales		**(3,384,870)**	(3,232,527)
GROSS PROFIT		**1,382,860**	1,385,953
Administrative expenses		**(1,448,306)**	(1,184,295)
OPERATING (LOSS)/PROFIT	5	**(65,446)**	201,658
Income from shares in group undertakings		**1,366,400**	-
Interest receivable and similar income	9	**12,956**	10,458
PROFIT BEFORE TAX		**1,313,910**	212,116
Tax on profit	10	**10,437**	(39,296)
PROFIT FOR THE FINANCIAL YEAR		**1,324,347**	172,820

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2019 (2018 - US$NIL).

The notes on pages 10 to 25 form part of these financial statements.

LIBERATOR LIMITED
REGISTERED NUMBER: 02590367

BALANCE SHEET
AS AT 30 SEPTEMBER 2019

	Note		2019 US$		2018 US$
FIXED ASSETS					
Tangible assets	11		**230,292**		233,832
Investments	12		**63,633**		63,633
			293,925		297,465
CURRENT ASSETS					
Stocks	13	**481,296**		386,929	
Debtors: amounts falling due within one year	14	**333,092**		518,103	
Cash at bank and in hand	15	**1,338,235**		2,012,993	
		2,152,623		2,918,025	
Creditors: amounts falling due within one year	16	**(478,719)**		(571,252)	
NET CURRENT ASSETS			**1,673,904**		2,346,773
TOTAL ASSETS LESS CURRENT LIABILITIES			**1,967,829**		2,644,238
Creditors: amounts falling due after more than one year	17		**(40,517)**		(45,839)
PROVISIONS FOR LIABILITIES					
Deferred tax	18	**(37,569)**		(33,003)	
			(37,569)		(33,003)
NET ASSETS			**1,889,743**		2,565,396
CAPITAL AND RESERVES					
Called up share capital	20		**139,920**		139,920
Profit and loss account	21		**1,749,823**		2,425,476
			1,889,743		2,565,396

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Mr I C Thompson
Director

Date: 29 November 2019

The notes on pages 10 to 25 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Called up share capital US$	Profit and loss account US$	Total equity US$
At 1 October 2017	**139,920**	**2,252,656**	**2,392,576**
COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the year	-	**172,820**	**172,820**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	**172,820**	**172,820**
At 1 October 2018	**139,920**	**2,425,476**	**2,565,396**
COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the year	-	**1,324,347**	**1,324,347**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	**1,324,347**	**1,324,347**
Dividends: Equity capital	-	**(2,000,000)**	**(2,000,000)**
AT 30 SEPTEMBER 2019	**139,920**	**1,749,823**	**1,889,743**

The notes on pages 10 to 25 form part of these financial statements.

1. GENERAL INFORMATION

Liberator Limited is a private limited company incorporated in England and Wales. The Company's registered office is Whitegates, 25-27 High Street, Swinstead, Grantham, Lincolnshire, NG33 4PA.

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 management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is 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 Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company 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 Company 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.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 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, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- Straight line over 3 to 5 years

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 Comprehensive Income.

2.4 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2.5 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 weighted averagebasis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet 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.

2.6 DEBTORS

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 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.

2. ACCOUNTING POLICIES (CONTINUED)

2.8 FINANCIAL INSTRUMENTS

The Company only enters into basic financial instrument 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 the 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 Statement of Comprehensive Income.

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 Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet 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.

2.9 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.

2. ACCOUNTING POLICIES (CONTINUED)

2.10 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The Company's functional and presentational currency is US Dollar.

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 Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.11 OPERATING LEASES: THE COMPANY AS LESSEE

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

2.12 PENSIONS

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.13 INTEREST INCOME

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2. ACCOUNTING POLICIES (CONTINUED)

2.14 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the Company 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 Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet 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 Balance Sheet.

2.15 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, 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 balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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 balance sheet date.

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Warranty provision
An estimate is made for future costs to be incurred on previously sold goods where an item may need to be repaired or replaced under the warranty period. In making this assessment management take into consideration historical data of defect rates of different devices and average cost of repairing or replacing the item.

Stock provision
An allowance for obsolete stock is maintained based upon management's assessment of the expected sales of stock items. The stock provision is reviewed periodically to assess the adequacy of the provision. In making these assessments, management takes into consideration stock holding periods, estimated future sales, selling prices and selling costs. Where an item is held at more than the recoverable amount a provision is recorded to impair the stock item accordingly.

Useful economic lives of tangible assets
An estimate is made for the useful lives and residual values of tangible assets based on industry knowledge and historical useful lives of previously owned assets. In making this assessment, management have taken into consideration the industry conditions (including technological advancements), the expected use period and the resale market for second hand assets.

Debtors
An allowance for doubtful debtor balances is maintained for potential credit losses based upon management's assessment of the expected collectability of all accounts receivable. The allowance for doubtful debtor balances is reviewed periodically to assess the adequacy of the provision. In making this assessment, management takes into consideration any circumstances of which they are aware regarding a customer's inability to meet its financial obligations.

4. TURNOVER

The whole of the turnover is attributable to the principal activity of the company.

Analysis of turnover by country of destination:

	2019 US$	2018 US$
United Kingdom	**2,137,635**	2,176,237
Rest of Europe	**1,766,149**	1,681,872
Rest of the world	**863,946**	760,371
	4,767,730	4,618,480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

5. OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging:

	2019	2018
	US$	US$
Exchange differences	**66,238**	(71,667)
Other operating lease rentals	**47,986**	43,101

6. AUDITORS' REMUNERATION

	2019	2018
	US$	US$
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**12,821**	12,070

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

7. EMPLOYEES

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

	2019	2018
	US$	US$
Wages and salaries	**844,087**	729,297
Social security costs	**84,746**	80,319
Cost of defined contribution scheme	**62,732**	56,738
	991,565	866,354

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

	2019	2018
	No.	No.
Administration and sales	**17**	16

8. DIRECTORS' REMUNERATION

	2019 US$	2018 US$
Directors' emoluments	**244,249**	203,176
Company contributions to defined contribution pension schemes	**26,000**	25,000
	270,249	228,176

During the year retirement benefits were accruing to 1 director (2018 -1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of US$244,269 (2018 -US$203,176).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to US$26,000 (2018 -US$25,000).

9. INTEREST RECEIVABLE

	2019 US$	2018 US$
Other interest receivable	**12,956**	10,458
	12,956	10,458

10. TAXATION

	2019 US$	2018 US$
CORPORATION TAX		
Current tax on profits for the year	**(15,003)**	35,936
	(15,003)	35,936
TOTAL CURRENT TAX	**(15,003)**	35,936
DEFERRED TAX		
Origination and reversal of timing differences	**4,566**	3,360
TOTAL DEFERRED TAX	**4,566**	3,360
TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	**(10,437)**	39,296

10. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2018 -lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 US$	2018 US$
Profit on ordinary activities before tax	**1,313,910**	212,116
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 -19%)	**249,643**	40,302
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**74**	71
Fixed asset differences	**-**	456
Dividends from group companies	**(259,616)**	-
Changes in deferred tax rates	**(538)**	(896)
Current tax exchange difference arising on movement between opening and closing spot rates	**-**	(637)
TOTAL TAX CHARGE FOR THE YEAR	**(10,437)**	39,296

11. TANGIBLE FIXED ASSETS

	Plant and machinery US$
COST OR VALUATION	
At 1 October 2018	**824,923**
Additions	**149,011**
Disposals	**(130,045)**
At 30 September 2019	**843,889**
DEPRECIATION	
At 1 October 2018	**591,091**
Charge for the year on owned assets	**88,954**
Disposals	**(66,448)**
At 30 September 2019	**613,597**
NET BOOK VALUE	
At 30 September 2019	**230,292**
At 30 September 2018	233,832

12. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies US$
COST OR VALUATION	
At 1 October 2018	**63,633**
At 30 September 2019	**63,633**

12. FIXED ASSET INVESTMENTS (CONTINUED)

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Prentke Romich GmbH	GoethestralJe 31, 34119 Kassel, Germany	Ordinary	100%
Liberator Pty Limited	265 Gilbert Street, Adelaide, SA 5000	Ordinary	100%

The aggregate of the share capital and reserves as at 30 September 2019 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves US$	Profit/(Loss) US$
Prentke Romich GmbH	**3,819,300**	**903,653**
Liberator Pty Limited	**1,160,700**	**419,324**

13. STOCKS

	2019 US$	2018 US$
Finished goods and goods for resale	**481,296**	386,929
	481,296	386,929

14. DEBTORS

	2019 US$	2018 US$
Trade debtors	**173,040**	341,540
Amounts owed by group undertakings	**101,704**	134,840
Other debtors	**42,112**	4,642
Prepayments and accrued income	**16,236**	37,081
	333,092	518,103

15. CASH AND CASH EQUIVALENTS

	2019 US$	2018 US$
Cash at bank and in hand	**1,338,235**	2,012,993
	1,338,235	2,012,993

16. CREDITORS: Amounts falling due within one year

	2019 US$	2018 US$
Trade creditors	**43,318**	58,022
Amounts owed to group undertakings	**228,667**	270,165
Corporation tax	**-**	35,936
Other taxation and social security	**22,150**	22,416
Other creditors	**61,468**	42,210
Accruals and deferred income	**123,116**	142,503
	478,719	571,252

17. CREDITORS: Amounts falling due after more than one year

	2019 US$	2018 US$
Accruals and deferred income	**40,517**	45,839
	40,517	45,839

18. DEFERRED TAXATION

	2019 US$	2018 US$
At beginning of year	**(33,003)**	(29,643)
Charged to the profit or loss	**(4,566)**	(3,360)
At end of year	**(37,569)**	(33,003)

18. DEFERRED TAXATION (CONTINUED)

The provision for deferred taxation is made up as follows:

	2019 US$	2018 US$
Accelerated capital allowances	**(37,569)**	(33,003)
	(37,569)	(33,003)

19. FINANCIAL INSTRUMENTS

	2019 US$	2018 US$
FINANCIAL ASSETS		
Financial assets measured at fair value through profit or loss	**1,338,235**	2,012,993
Financial assets that are debt instruments measured at amortised cost	**289,134**	477,900
	1,627,369	2,490,893
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	**(497,086)**	(558,739)

Financial assets measured at fair value through profit or loss comprise of cash held by the company.

Financial assets that are debt instruments measured at amortised cost comprise of trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise of trade creditors, accruals, amounts owed to group undertakings and other creditors (excluding amounts owed to employees).

20. SHARE CAPITAL

	2019 US$	2018 US$
Allotted, called up and fully paid		
80,000 (2018 -80,000) ordinary shares of £1.00 each	**139,920**	139,920

Share capital has been translated at the historic rate when issued at a rate of £1 = US$1.749.

21. RESERVES

Profit and loss account

This reserve includes all current and prior period retained profits and losses.

22. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund and amounted to US$62,732 (2018 - US$56,738). Contributions totalling US$NIL (2018 - US$NIL) were payable to the fund at the balance sheet date and are included in creditors.

23. COMMITMENTS UNDER OPERATING LEASES

At 30 September 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 US$	2018 US$
Not later than 1 year	**23,400**	22,500
Later than 1 year and not later than 5 years	**19,553**	41,301
LAND AND BUILDINGS	**42,953**	63,801

	2019 US$	2018 US$
Not later than 1 year	**20,751**	19,650
Later than 1 year and not later than 5 years	**17,174**	23,875
OTHER	**37,925**	43,525

24. RELATED PARTY TRANSACTIONS

The parent company, Prentke Romich Co, prepares consolidated group accounts and accordingly the company has taken advantage of the exemptions contained within FRS 102 paragraph 33.1A not to disclose transactions with group undertakings.

25. CONTROLLING PARTY

The parent company of the largest and smallest group of undetakings for which group financial statements are prepared and of which the company is a member is Prentke Romich Co., a company registered in the United States of America. Copies of the accounts of Prentke Romich Co. can be obtained from 1022 Heyl Road, Wooster, Ohio 44691, U.S.A.

In the directors opinion, there is no one ultimate controlling party.