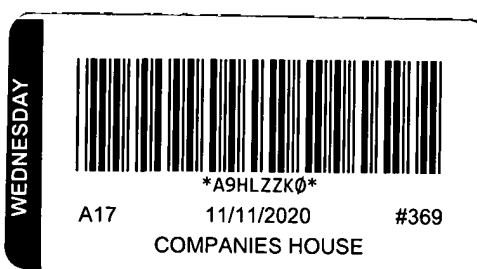


Registered number: 03057796

ELECTRONIC THEATRE CONTROLS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



ELECTRONIC THEATRE CONTROLS LIMITED

COMPANY INFORMATION

Directors	A Bennette G O'Grady R Titus J Cymbalak
Company secretary	G O'Grady
Registered number	03057796
Registered office	Unit 26-28 Victoria Industrial Estate Victoria Road London W3 6UU
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2A 1AG

ELECTRONIC THEATRE CONTROLS LIMITED

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ELECTRONIC THEATRE CONTROLS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The principal activity of the company during the year was the sale and distribution of theatre lighting equipment. Overall the directors are satisfied with the performance given the challenging economic environment.

Business review

The Directors note that although total sales were lower, domestic sales have increased. Gross profit % reduced as a result of changes to the UK business model, with an updated transfer pricing agreement and group warranty provisioning. Consistent with trends in the industry, the company maintains strong emphasis on LED products while maintaining a focus on traditional lighting products.

Principal risks and uncertainties

The company uses various financial instruments including cash, equity investment and various items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The main risks arising from the company's financial statements are currency risk and credit risk. The Directors continue to monitor the ongoing Brexit discussions, however, given the structure of the ETC Group, with branches in mainland Europe, the Directors do not believe the outcome of Brexit will materially impact the Company.

The Directors continue to review and manage the business in light of the impact of the Covid 19 pandemic, which broke out in the UK during Q1 of 2020. The Company is part of an international group and UK management have worked in tandem with colleagues in the USA and elsewhere to ensure that our people, our customers and our business are protected as much as possible during these extraordinary times.

The Company has followed Government and public health guidance. Safety measures have been implemented including: staff working from home where appropriate; social distancing; additional cleaning and hygiene; and access to the workplace limited to those staff engaged in handling of goods and other essential activities.

From the beginning of the outbreak, we have seen a reduced level of activity in many market segments in the sales territories that we operate in and particularly in the theatre and live events sectors due to theatres being closed to the public in some countries and postponement of live events. We have mitigated the risks, for example by reducing costs to reflect the new level of activity and availing of government assistance where available such as the Furlough scheme and VAT deferral in UK. Our supply chain has been able to deliver product for sale with only minor delays.

The Directors have prepared forecasts up to and including the end of 2021, which have been revised in light of the pandemic. During this period the level of revenue is expected to only grow slowly from the levels achieved in Q2 2020 with such growth linked to the pace of change of access by the public to theatres and live events. Overhead expenses are expected to be maintained at reduced levels until such time that the revenue is showing adequate growth to justify an increase. The lead times for product to be provided to customers is expected to remain consistent due to our ability to source flexibly from the group's locations in Europe and the USA, as well as here in the UK.

The Company ended 2019 with a strong balance sheet and over £3m of net cash. The revised forecasts to December 2021 show that, during that period, the Company remains cash positive. No dividends are anticipated until revenue and profitability return to a normal level.

The forecasts have then been sensitised for a number of variables, including a slower recovery in turnover, for example due to a second period of lockdown, and the impact this would have on profitability and liquidity. The reverse stress-testing of the forecasts shows that there could be situations in which the UK company would need to rely upon the support of its parent during 2021.

ELECTRONIC THEATRE CONTROLS LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties (continued)

The parent company is willing to provide financial support to the Company, if needed, for the foreseeable future. However, as a result of the impact of the global pandemic on the profitability of the group, it has breached one of its financial covenants due to COVID related lower earnings. The Parent Company is currently in discussion with the group's bankers about waiving the breach and resetting the covenant. The banks have confirmed their willingness to support the group with continued provision of their credit facility that is currently in place, of which approximately 50% is currently being unused demonstrating adequate availability and liquidity for its operating needs into the future. A new term sheet has been put forward by the banks for implementation in an updated long term financing agreement over the coming weeks, but this has not been finalized at the date of approving these financial statements.

After discussing with the group's banker and understanding that one financial covenant has to be reset, we view this as a manageable uncertainty, but if it continues to exist the Company's existing limited liquidity could cast a long term significant doubt on the Company's ability to continue as a going concern.

The Directors, however, do not consider, at the date of signing the financial statements, there to be a threat to the overall business in the case of outbreak-related closures and lockdowns due to the above and the Company is expecting to have access to sufficient working capital and full financial support from its Shareholders.

The company is exposed to currency risk on sales to overseas customers and on purchases from overseas suppliers when invoiced in foreign currency mainly Euro and US Dollar. The company uses forward currency contracts on a proportion of such transactions in order to hedge against the risk of foreign exchange fluctuations. In addition, the Company has entered into a loan agreement with their bank in the year.

The company's principal financial assets are cash and trade debtors. The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit rating agencies. The principal credit risk arises therefore from its trade debtors. In order to manage credit risks the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

Financial key performance indicators

The directors believe the key performance indicator of the business to be turnover, with the following results achieved in the year.

UK sales	Increase 14% (2018: increase of 1.4%)
Exports	Decrease of 17% (2018: increase of 13.5%)
Year on year total sales	Decrease of 3% (2018: increase of 7.9%)

During the year, underlying demand for our products remained steady.

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

Dick Titus

R Titus

Director

Date: 28 September 2020

ELECTRONIC THEATRE CONTROLS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 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 and 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 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included may differ from legislation in other jurisdictions.

Results and dividends

The profit for the year, after taxation, amounted to £813,436 (2018 - £3,321,775).

Particulars of dividends paid are detailed in note 9 of the financial statements.

Directors

The directors who served during the year were:

A Bennette
G O'Grady
R Titus
J Cymbalak

Financial risk management objectives and policies

The strategic report contains information on the principal risks and uncertainties facing the business.

ELECTRONIC THEATRE CONTROLS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Directors' responsibilities statement (continued)

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, 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.

Dick Titus

R Titus

Director

Date: 28 September 2020



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELECTRONIC THEATRE CONTROLS LIMITED

Opinion

We have audited the financial statements of Electronic Theatre Controls Limited (the 'Company') for the year ended 31 December 2019, which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 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 'Auditor's 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company associated with these particular events.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELECTRONIC THEATRE CONTROLS LIMITED (CONTINUED)

Emphasis of matter - Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which states that the sensitised forecasts prepared by the directors show a risk of the Company needing support from its parent in 2021. As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELECTRONIC THEATRE CONTROLS LIMITED (CONTINUED)

Matter on which we are required to report by the Companies Act 2006

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.

Matters on which we are required to report by exception

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 for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELECTRONIC THEATRE CONTROLS LIMITED (CONTINUED)

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 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.

Grant Thornton UK LLP

Simon Bevan BA FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

28 September 2020

ELECTRONIC THEATRE CONTROLS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Turnover	4	25,616,114	26,340,870
Cost of sales		(19,140,170)	(16,722,174)
Gross profit		6,475,944	9,618,696
Administrative expenses		(5,451,800)	(5,497,363)
Operating profit	5	1,024,144	4,121,333
Tax on profit	8	(210,708)	(799,558)
Profit for the financial year		813,436	3,321,775
Total comprehensive income for the year		813,436	3,321,775

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

The notes on pages 13 to 27 form part of these financial statements.

ELECTRONIC THEATRE CONTROLS LIMITED
REGISTERED NUMBER:03057796

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	10	445,365	419,789
Investments	11	88	88
		<u>445,453</u>	<u>419,877</u>
Current assets			
Stocks	12	1,345,622	1,411,804
Debtors: amounts falling due within one year	13	3,423,639	5,566,763
Cash at bank and in hand	14	3,996,619	2,283,912
		<u>8,765,880</u>	<u>9,262,479</u>
Creditors: amounts falling due within one year	15	(3,825,849)	(4,857,423)
Net current assets		<u>4,940,031</u>	<u>4,405,056</u>
Total assets less current liabilities		<u>5,385,484</u>	<u>4,824,933</u>
Provisions for liabilities			
Deferred tax	16	(22,460)	(7,797)
Other provisions	17	(1,002,799)	(1,270,347)
		<u>(1,025,259)</u>	<u>(1,278,144)</u>
Net assets		<u>4,360,225</u>	<u>3,546,789</u>
Capital and reserves			
Called up share capital	19	16,000	16,000
Profit and loss account	18	4,344,225	3,530,789
Shareholders' funds		<u>4,360,225</u>	<u>3,546,789</u>

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

Dick Titus

R Titus

Director

Date: 28 September 2020

The notes on pages 13 to 27 form part of these financial statements.

ELECTRONIC THEATRE CONTROLS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	16,000	3,530,789	3,546,789
Comprehensive income for the year			
Profit for the year	-	813,436	813,436
Total comprehensive income for the year	-	813,436	813,436
Total transactions with owners	-	-	-
At 31 December 2019	16,000	4,344,225	4,360,225

The notes on pages 13 to 27 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	16,000	4,209,014	4,225,014
Comprehensive income for the year			
Profit for the year	-	3,321,775	3,321,775
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	3,321,775	3,321,775
Dividends: Equity capital	-	(4,000,000)	(4,000,000)
Total transactions with owners	-	(4,000,000)	(4,000,000)
At 31 December 2018	16,000	3,530,789	3,546,789

The notes on pages 13 to 27 form part of these financial statements.

ELECTRONIC THEATRE CONTROLS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Profit for the financial year		813,436	3,321,775
Adjustments for:			
Depreciation of tangible assets		164,038	122,402
Taxation charge		210,708	799,558
Decrease/(increase) in stocks		66,182	(86,928)
Decrease/(increase) in debtors		878,192	(913,814)
Decrease/(increase) in amounts owed by group		1,264,932	(479,467)
Increase in creditors		233,329	314,835
(Decrease)/increase in amounts owed to group		(1,426,915)	1,110,606
(Decrease)/increase in provisions		(267,548)	128,624
Corporation tax (paid)		(461,184)	(820,012)
Net cash generated from operating activities		1,475,170	3,497,579
Cash flows from investing activities			
Purchase of tangible fixed assets		(189,613)	(103,633)
Sale of fixed asset investments	11	-	85
Net cash from investing activities		(189,613)	(103,548)
Cash flows from financing activities			
New loans		427,150	-
Dividends paid	9	-	(4,000,000)
Net cash used in financing activities		427,150	(4,000,000)
Net increase/(decrease) in cash and cash equivalents		1,712,707	(605,969)
Cash and cash equivalents at beginning of year		2,283,912	2,889,881
Cash and cash equivalents at the end of year		3,996,619	2,283,912
Cash and cash equivalents at the end of year comprise:			
Cash at bank and in hand		3,996,619	2,283,912

The notes on pages 13 to 27 form part of these financial statements.

ELECTRONIC THEATRE CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

The company is a private company limited by share capital incorporated and domiciled in the United Kingdom. The address of the registered office is included within the Company Information. The nature of the company's operations and its principal activity during the period was that of sale and distribution of theatre lighting equipment.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

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:

ELECTRONIC THEATRE CONTROLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)**2.2 Going concern**

The financial statements report a net asset position of £4,360,225 (2019: £3,546,789).

In considering the going concern assumption, the Directors have reached their conclusion based on future trading forecasts as well as the balance sheet position at the date of signature of these financial statements. The financial statements have been prepared on a going concern basis, which assumes the Company will have sufficient working capital to enable it to continue in business for a period of at least 12 months from the date of approving the financial statements. In reaching this conclusion the Directors have considered different scenarios for future cash flows and net working capital of the Company and have a reasonable expectation that the Company has adequate resources to continue in business for the foreseeable future.

The Directors have prepared forecasts up to and including the end of 2021, which have been revised in light of the pandemic. During this period the level of revenue is expected to only grow slowly from the levels achieved in Q2 2020 with such growth linked to the pace of change of access by the public to theatres and live events. Overhead expenses are expected to be maintained at reduced levels until such time that the revenue is showing adequate growth to justify an increase. The lead times for product to be provided to customers is expected to remain consistent due to our ability to source flexibly from the group's locations in Europe and the USA, as well as here in the UK.

The Company ended 2019 with a strong balance sheet and over £3m of net cash. The revised forecasts to December 2021 show that, during that period, the Company remains cash positive. No dividends are anticipated until revenue and profitability return to a normal level.

The forecasts have then been sensitised for a number of variables, including a slower recovery in turnover, for example due to a second period of lockdown, and the impact this would have on profitability and liquidity. The reverse stress-testing of the forecasts shows that there could be situations in which the UK company would need to rely upon the support of its parent during 2021.

The parent company is willing to provide financial support to the Company, if needed, for the foreseeable future. However, as a result of the impact of the global pandemic on the profitability of the group, it has breached an earnings related bank financial covenant and is currently in discussion with the group's bankers about waiving the breach and resetting the covenant. The banks have confirmed their willingness to support the group with continued provision of the credit facility that is currently in place, of which approximately 50% is currently unused. A new term sheet has been put forward by the banks for implementation in an updated continuing long term financing agreement over the coming weeks, but this has not been finalized at the date of approving these financial statements.

As such a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

2.3 Turnover

The turnover shown in the Statement of Comprehensive Income represents amounts invoiced, net of VAT/sales tax, as recognised when the customer assumes the risks and rewards of ownership.

ELECTRONIC THEATRE CONTROLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)
2.4 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.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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.

The estimated useful lives range as follows:

Leasehold commitments	- over the period of the lease
Plant & machinery	- 20% straight line
Fixtures & fittings	- 20% - 50% straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

2.5 Operating leases

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

2.6 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks.

2.7 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.

ELECTRONIC THEATRE CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.8 Cash and cash equivalents

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

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

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.

2.10 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

2.11 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Statement of Comprehensive Income.

2.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividend on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.13 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 year.

ELECTRONIC THEATRE CONTROLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)**2.14 Borrowing costs**

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.15 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the asset of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Statement of financial position. Finance costs and gains or losses relating to financial liabilities are included in the Statement of Comprehensive Income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

2.16 Provisions for liabilities and charges

Provision is made for warranty costs based on expected warranty costs based on historic returns and the number of sales under warranty made in the year.

Provision is made for the the estimated costs of dilapidation expected to be payable on expiry of the lease.

2.17 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

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

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

The key judgements in the preparation of these financial statements are considered to be the dilapidations on leasehold property, the customer warranty provision, and the provision for obsolescent stock.

The key assumptions used in determining these provisions are considered in note 17 to the accounts.

ELECTRONIC THEATRE CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4. Turnover

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	13,332,881	11,620,008
Overseas	12,283,233	14,720,862
	<u>25,616,114</u>	<u>26,340,870</u>

5. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation of tangible assets	164,037	122,402
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	43,988	32,325
Exchange differences	148,171	14,130
Other operating lease rentals	297,976	184,306
Defined contribution pension cost	<u>70,683</u>	<u>56,373</u>

6. Employees

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

	Note	2019 £	2018 £
Wages and salaries		2,655,825	2,352,246
Social security costs		301,368	263,753
Cost of defined contribution scheme	21	<u>70,683</u>	<u>56,373</u>
		<u>3,027,876</u>	<u>2,672,372</u>

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

	2019 No.	2018 No.
Administrative staff	<u>47</u>	<u>43</u>

ELECTRONIC THEATRE CONTROLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	279,369	249,829

During the year retirement benefits were accruing to 2 directors (2018: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £153,503 (2018 - £128,848).

8. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	194,729	798,981
Adjustments in respect of previous periods	26	(1,210)
	194,755	797,771
 Double taxation relief	 (2,941)	 (3,544)
	191,814	794,227
 Foreign tax		
Foreign tax on income for the year	4,579	4,104
Foreign tax in respect of prior periods	(348)	-
	4,231	4,104
 Total current tax	 196,045	 798,331
 Deferred tax		
Origination and reversal of timing differences	14,663	1,227
 Total deferred tax	 14,663	 1,227
 Taxation on profit on ordinary activities	 210,708	 799,558

ELECTRONIC THEATRE CONTROLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. Taxation (continued)
Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>1,024,144</u>	<u>4,121,333</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	194,587	783,053
Effects of:		
Fixed asset differences	4,380	2,799
Expenses not deductible for tax purposes	12,150	14,500
Foreign tax credits	1,638	560
Adjustments to tax charge in respect of prior periods	(322)	(1,210)
Adjust closing deferred tax to average rate	(2,642)	(917)
Adjust opening deferred tax to average rate	917	773
Total tax charge for the year	<u>210,708</u>	<u>799,558</u>

9. Dividends

	2019 £	2018 £
Dividends Paid	<u>-</u>	<u>4,000,000</u>

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

ELECTRONIC THEATRE CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

10. Tangible fixed assets

	Short term leasehold commitment £	Plant & machinery £	Fixtures & fittings £	Total £
Cost or valuation				
At 1 January 2019	1,533,785	37,052	576,632	2,147,469
Additions	72,483	-	117,130	189,613
At 31 December 2019	1,606,268	37,052	693,762	2,337,082
Depreciation				
At 1 January 2019	1,312,035	32,595	383,050	1,727,680
Charge for the year on owned assets	43,810	1,011	119,216	164,037
At 31 December 2019	1,355,845	33,606	502,266	1,891,717
Net book value				
At 31 December 2019	250,423	3,446	191,496	445,365
At 31 December 2018	221,750	4,457	193,582	419,789

ELECTRONIC THEATRE CONTROLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

11. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2019	88
	<hr/>
At 31 December 2019	88
	<hr/>
Net book value	
At 31 December 2019	88
	<hr/> <hr/>
<i>At 31 December 2018</i>	88
	<hr/> <hr/>

Interest in intra-group entities

During the year Electronic Theatre Controls Limited held 1% of the ordinary shares of Electronic Theatre Controls Italy. The principal activity of this entity is the same as that of Electronic Theatre Controls Limited.

12. Stocks

	2019 £	2018 £
Raw materials and consumables	44,783	31,881
Finished goods and goods for resale	1,300,839	1,379,923
	<hr/>	<hr/>
	1,345,622	1,411,804
	<hr/> <hr/>	<hr/> <hr/>

ELECTRONIC THEATRE CONTROLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

13. Debtors

	2019 £	2018 £
Trade debtors	2,922,991	3,800,640
Amounts owed by group undertakings	132,745	1,397,677
Prepayments and accrued income	176,202	133,049
Tax recoverable	191,701	235,397
	<u>3,423,639</u>	<u>5,566,763</u>

14. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	<u>3,996,619</u>	<u>2,283,912</u>

15. Creditors: Amounts falling due within one year

	2019 £	2018 £
Loan	427,150	-
Trade creditors	572,394	239,578
Amounts owed to group undertakings	2,246,097	3,673,012
Corporation tax	28,123	293,263
Other taxation and social security	111,780	143,832
Other creditors	-	9,189
Accruals and deferred income	440,305	483,855
Financial instruments	-	14,694
	<u>3,825,849</u>	<u>4,857,423</u>

ELECTRONIC THEATRE CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

16. Deferred taxation

	2019 £	2018 £
At beginning of year	(7,797)	(6,570)
Charged to profit or loss	(14,663)	(1,227)
At end of year	(22,460)	(7,797)

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	47,753	44,480
Tax losses carried forward	(25,293)	(36,683)
	22,460	7,797

17. Provisions

	Warranty provision £	Dilapidation provision £	Total £
At 1 January 2019	964,811	305,536	1,270,347
Charged to profit or loss	(267,548)	-	(267,548)
At 31 December 2019	697,263	305,536	1,002,799

The warranty provision relates to estimated costs to be incurred by Electronic Theatre Controls Limited on products returned whilst under guarantee which cannot be recovered from the manufacturer. These are expected to be settled over 2 to 3 years. In 2019, Electronic Theatre Controls Inc assumed responsibility for the cost of the raw materials required under warranty, thus Electronic Theatre Controls Limited retains a provision only for the cost of labour.

The dilapidations provision on the leased property is the expected costs to be incurred to restore the building to its original state at the end of the lease in 2024.

18. Reserves

Profit & loss account

Includes all current and prior period retained profits and losses.

ELECTRONIC THEATRE CONTROLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

19. Share capital

	2019 £	2018 £
Authorised		
100,000 (2018 - 100,000) Ordinary Shares shares of £1.00 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
16,000 (2018 - 16,000) Ordinary Shares shares of £1.00 each	<u>16,000</u>	<u>16,000</u>

20. Financial instruments

At 31 December 2019, the company had no outstanding fair value currency hedges (2018: £14,694).

	2019 £	2018 £
Financial assets		
Financial assets measured at amortised cost	<u>7,244,056</u>	<u>7,664,218</u>
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	-	(14,694)
Financial liabilities measured at amortised cost	<u>(3,828,823)</u>	<u>(4,471,058)</u>
	<u>(3,828,823)</u>	<u>(4,485,752)</u>

21. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £70,683 (2018: £56,373). Contributions totalling £nil (2018: £358) were payable to the fund at the balance sheet date and are included in creditors.

ELECTRONIC THEATRE CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

22. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Land and buildings		
Within one year	228,247	156,011
Between one and five years	754,618	624,042
After more than five years	-	67,106
	<u>982,865</u>	<u>847,159</u>
	2019 £	2018 £
Other		
Within one year	12,232	7,139
Between one and five years	35,782	5,453
	<u>48,014</u>	<u>12,592</u>

23. Related party transactions

Transactions with related parties are listed below. These are other companies within the group.

	Sales to related party 2019 £	Purchases from related party 2019 £	Amounts owed by related party 2019 £	Amounts owed to related party 2019 £
2019				
Electronic Theatre Controls Inc	790,323	(16,802,995)	25,114	(1,634,042)
Electronic Theatre Controls Srl	26,872	(981,183)	23,634	(370,803)
Electronic Theatre Controls GmbH	14,651	(107,887)	6,063	(6,682)
Avab Transtechnik SARL	-	-	-	-
Penko Engineering BV	2,604	(208,215)	-	(9,521)
ETC Asia Ltd	32,250	-	7,345	-
ETC France SAS	46,388	-	10,094	-
High End Systems Inc.	107,276	(1,513,505)	60,496	(225,050)
	<u>1,020,364</u>	<u>(19,613,785)</u>	<u>132,746</u>	<u>(2,246,098)</u>

ELECTRONIC THEATRE CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

23. Related party transactions (continued)

	Sales to related party 2018 £	Purchases from related party 2018 £	Amounts owed by related party 2018 £	Amounts owed to related party 2018 £
2018				
Electronic Theatre Controls Inc	179,178	14,413,965	14,360	2,889,143
Electronic Theatre Controls Srl	114,206	905,732	66,773	376,363
Electronic Theatre Controls GmbH	23,331	164,722	4,475	12,386
Avab Transtechnik SARL	2,767,826	1,672	1,247,472	-
Penko Engineering BV	91,761	212,354	61,936	21,759
ETC Asia Ltd	11	-	-	-
ETC France SAS	35,290	157,219	2,661	35,187
High End Systems Inc.	57,360	921,758	-	338,173
	<u>3,268,963</u>	<u>16,777,422</u>	<u>1,397,677</u>	<u>3,673,011</u>

24. Controlling party

The ultimate controlling party is Electronic Theatre Controls Inc., a company incorporated in the United States of America. The largest and smallest undertakings for which group accounts are drawn up is Electronic Theatre Controls Inc..

25. Post balance sheet events

The Covid 19 pandemic has had significant impact on our customers and end users resulting in a significant reduction in the level of revenue from March 2020 onwards. This is a non-adjusting post balance sheet event and the Directors are unable to make an accurate forecast of the financial impact. Nevertheless, the Company has successfully transitioned to remote and new ways of working through the lockdown period, has reduced its cost base, and continues to have cash reserves.

26. Net Debt Reconciliation

	At 1 Jan 2019 £	Cash flows £	New loans £	At 31 Dec 2019 £
Cash at bank and in hand	2,283,912	1,712,707	-	3,996,619
Debt due within 1 year	-	-	(427,150)	(427,150)
	<u>2,283,912</u>	<u>1,712,707</u>	<u>(427,150)</u>	<u>3,569,469</u>