

AUDYUS LIMITED

Report and Financial Statements

30 June 2013



REPORT AND FINANCIAL STATEMENTS 2013

CONTENTS	Page
Managing director's review	1
Directors' report	2
Independent auditor's report	4
Consolidated profit and loss account	6
Consolidated balance sheet	7
Balance sheet	8
Notes to the financial statements	9

MANAGING DIRECTOR'S REVIEW

2013 continued the theme of transition for the Audyus group. The large investments made in new product development to give the brand broader consumer appeal and better global penetration have adversely affected the attached figures. The first half of 2013/14 will be similarly affected. However our new Lyric Series all-in-one products successfully launched in November 2013 and versions of our core range of products approved for the USA and China markets are imminent.

The trading subsidiary, Cyrus Audio has built a successful business providing audio enthusiasts with superb audio components by making sound quality the most important factor. The specialist separates ranges deliver breath-taking audio, satisfying the most demanding audiophile enthusiasts. However, today we know that a much larger number of consumers who love music desire a single unit home audio system. They are not the "Enthusiasts" that buy the Cyrus Audio core range, but are "Entertainment Seekers" who still aspire to the best, but want a simple high performance, easy to use music system from a brand they can trust. The Lyric project was conceived to offer Cyrus' high performance audio skills to these "Entertainment Seeker" consumers, who prefer an elegant, single unit alternative to our separate models. In addition, Lyric has been designed with the global market in mind. The uniquely styled glass and aluminium unit provides the customer with 14 different ways to listen to his music.

Our core product range also continues to be very strong. The latest issue of What Hi Fi has our new CDi player winning a group test ahead of the current CD player of the year from one of our rivals, further proof of the Company's outstanding Hi Fi credentials.

With new products now out, our focus is on expanding our sales pipeline, both in new customer segments and in new geographic territories. R&D are putting most of the range through approvals for both FCC (USA market) and CCC (China), which will act as a spur for sales in financial year 2014/15.

The demands of developing the Lyric Series called for some further capital post year end, and a rights issue from Audyus' very supportive shareholder base raised £100k, alongside a £100k term loan (raised by Cyrus Audio) from Finance East, a government sponsored organisation with a remit to fund growing companies in the East of England.

Once again I'd like to thank the staff for all the hard work they have put in this year, and continue to do, with a passion and pride often above and beyond my expectations. They are great team.



SIMON FREETHY

Managing Director

26 March 2014

AUDYUS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2013

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

ACTIVITIES

The group's principal activity is the design and manufacture of high quality audio equipment. The company is a holding company.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The attached figures reflect a year of continuing transition for Cyrus and development costs for the new Lyrics Series have been materially significant. However, growth into new segments and new geographic markets based around this product development investment should see the fortunes of the business improving over the coming years.

Cyrus Audio Limited is a 100% owned trading subsidiary of Audyus Limited. Interested parties should look at both sets of accounts in conjunction with each other for a complete picture.

DIVIDENDS

The directors do not recommend the payment of a dividend (2012 - £nil).

DIRECTORS

The directors who served during the year were as follows:

Peter Bartlett (Technical Director)

Simon Freethy (Managing Director)

Peter Joseph (Non-Executive Director) (appointed 18 October 2012)

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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). 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 company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

AUDYUS LIMITED

DIRECTORS' REPORT

AUDITOR

Each of the persons who is a director at the date of approval of this annual report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the 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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board



Simon Freethy
Director

26 March 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUDYUS LIMITED

We have audited the financial statements of Audyus Limited for the year ended 30 June 2013 which comprise the consolidated profit and loss account, the consolidated and individual company balance sheets and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2013 and of the group's loss 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

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUDYUS 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report



Andrew Swarbrick BA FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Cambridge, United Kingdom

27 March 2014

AUDYUS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 30 June 2013

	Note	2013 £	2012 £
TURNOVER	2	2,530,067	2,497,650
Cost of sales		(1,517,082)	(1,533,684)
Gross profit		1,012,985	963,966
Distribution costs		(256,224)	(283,271)
Administrative expenses		(1,013,182)	(936,555)
OPERATING LOSS	4	(256,421)	(255,860)
Interest receivable and similar income	5	104	33
Interest payable and similar charges	6	(16,573)	(19,457)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(272,890)	(275,284)
Tax credit on loss on ordinary activities	7	71,982	60,364
LOSS PROFIT FOR THE FINANCIAL YEAR	18	(200,908)	(214,920)

All activities derived from continuing operations

There are no recognised gains or losses for the current financial year and preceding financial year other than as stated in the profit and loss account

AUDYUS LIMITED

CONSOLIDATED BALANCE SHEET 30 June 2013

	Note	2013 £	2012 £
FIXED ASSETS			
Intangible assets	9	964	1,790
Tangible assets	10	109,395	95,522
Investments	11	1,192	1,192
		<u>111,551</u>	<u>98,504</u>
CURRENT ASSETS			
Stocks	12	456,480	670,606
Debtors	13	641,299	540,053
Cash at bank and in hand		96,563	23,971
		<u>1,194,342</u>	<u>1,234,630</u>
CREDITORS: amounts falling due within one year	14	<u>(664,672)</u>	<u>(600,555)</u>
NET CURRENT ASSETS		<u>529,670</u>	<u>634,075</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>641,221</u>	<u>732,579</u>
CREDITORS: amounts falling due after more than one year	15	<u>(43,377)</u>	<u>(43,377)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(27,545)</u>	<u>(19,000)</u>
NET ASSETS		<u>570,299</u>	<u>670,202</u>
CAPITAL AND RESERVES			
Called up share capital	17	185,042	156,952
Share premium account	18	317,296	244,381
Profit and loss account	18	67,961	268,869
SHAREHOLDERS' FUNDS	19	<u>570,299</u>	<u>670,202</u>

The financial statements of Audyus Limited, registered number 5158526, were approved by the Board of Directors and authorised for issue on *26 March 2014*

Signed on behalf of the Board of Directors



Simon Freethy

Director

AUDYUS LIMITED

BALANCE SHEET 30 June 2013

	Note	2013 £	2012 £
FIXED ASSETS			
Investments	11	9,453	9,453
CURRENT ASSETS			
Debtors – falling due after one year	13	501,146	400,141
TOTAL ASSETS		510,599	409,594
CREDITORS: amounts falling due after more than one year	15	(26,710)	(26,710)
NET ASSETS		483,889	382,884
CAPITAL AND RESERVES			
Called up share capital	17	185,042	156,952
Share premium account	18	317,296	244,381
Profit and loss account	18	(18,449)	(18,449)
SHAREHOLDERS' FUNDS	19	483,889	382,884

The financial statements of Audyus Limited, registered number 5158526, were approved by the Board of Directors and authorised for issue on 26 March 2014

Signed on behalf of the Board of Directors



Simon Freethy

Director

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2013

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Basis of preparation

The financial statements are prepared under the historical cost convention.

Going Concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Managing Director's statement and Directors' report on pages 1 to 3.

The group meets its day to day working capital requirements from its own cash resources and, in peak periods, through intermittent use of an invoice discounting facility which it has had in place for 9 years and is on a 6 months' rolling notice period. The group's forecasts and projections, taking account of reasonably possible changes in trading performance and new capital funds since the year end, show that the company has sufficient facilities to meet its ongoing cash requirements.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Intangible fixed assets

Trademarks are valued at cost on acquisition and are depreciated in equal amounts over their estimated useful economic lives of 10 years.

Tangible fixed assets

Depreciation is provided on fixed assets so as to write off cost over the estimated useful lives of the assets. The annual rates of depreciation applied are as follows:

Short term leasehold improvements	Over the term of the lease
Fixtures and fittings	20%-33% per annum on cost
Plant and equipment	8%-33% per annum on cost
IT equipment	33% per annum on cost

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Leases

Operating lease rentals are charged to the profit and loss account as incurred.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2013

1. ACCOUNTING POLICIES (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs

The group operates a defined contribution pension scheme in respect of the employees. The cost of contributions is charged to the profit and loss account as they arise.

Cash flow statement

The group has taken advantage of the exemption afforded by FRS1 (revised) not to prepare a cash flow statement on the basis that it is a small group.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences arising are dealt with in the profit and loss account.

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the group's ordinary activities after deduction of trade discounts and value added tax. Revenue is recognised on shipment of products to customers.

The turnover is attributable to the group's principal activity. 31% (2012 - 41%) of turnover arose outside the United Kingdom.

AUDYUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2013

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2013 £	2012 £
Directors' emoluments		
Emoluments (excluding pension contributions)	105,593	143,730
Company contributions to money purchase pension schemes in respect of directors' services	6,347	14,864
	No	No
The number of directors who:		
Are members of a money purchase pension scheme	1	1
Average number of persons employed (including directors)		
Sales and administration	13	14
R&D and production	10	15
	23	29
	£	£
Staff costs incurred during the year in respect of these employees were:		
Wages and salaries	668,038	812,181
Social security costs	70,062	82,538
Pension costs	16,745	36,571
	754,845	931,290

4. OPERATING LOSS

	2013 £	2012 £
Operating loss is after charging:		
Amortisation of intangible fixed assets	826	826
Depreciation of tangible fixed assets		
Owned assets	45,248	38,953
Rentals under operating leases		
Other operating leases	108,005	103,031
Auditor's remuneration	10,800	10,800

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2013 £	2012 £
Bank interest	104	33

AUDYUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2013

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £	2012 £
Loans and overdraft	16,573	15,597
Discount on deferred consideration	-	3,860
	<u>16,573</u>	<u>19,457</u>

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	2013 £	2012 £
Current tax		
United Kingdom corporation tax	(75,868)	(49,150)
Deferred tax		
Origination and reversal of timing differences	3,886	(11,214)
Total tax on (loss) profit on ordinary activities	<u>(71,982)</u>	<u>(60,364)</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 20% (2012 - 20%). The actual tax credit for the current year and preceding year differs from the standard tax rate for the reasons set out in the following reconciliation

	2013 £	2012 £
Loss on ordinary activities before tax	(272,890)	(275,284)
Tax at 20% (2012 - 20%) thereon	(54,578)	(55,057)
Factors affecting (credit) charge for the year		
Disallowable expenditure	1,701	2,144
Research and development credit - enhanced deduction	(81,437)	(41,882)
Utilisation of tax losses	137,943	81,302
Capital allowances in excess (deficit) of depreciation	(3,629)	4,542
Losses carried forward	-	8,951
Research and development tax credit	(75,868)	(49,150)
Total actual amount of current tax credit	<u>(75,868)</u>	<u>(49,150)</u>

Analysis of deferred tax balances

	Unprovided (unrecognised)		Provided (recognised)	
	2013 £	2012 £	2013 £	2012 £
Accelerated capital allowances	-	-	14,622	11,332
Short term timing differences	-	-	-	(257)
Unutilised losses	-	-	(22,289)	(22,289)
	<u>-</u>	<u>-</u>	<u>(7,328)</u>	<u>(11,214)</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2013

8. RESULT OF PARENT COMPANY

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's result on ordinary activities after taxation for the financial year amounts to £nil (2012 – loss £3,860)

9. INTANGIBLE FIXED ASSETS

Group	Trademarks £
Cost	
At 1 July 2012 and 30 June 2012	8,260
Amortisation	
At 1 July 2012	6,470
Charge for the year	826
At 30 June 2013	7,296
Net book value	
At 30 June 2013	964
At 30 June 2012	1,790

Trademarks are stated at the valuation made by the directors considered to be fair value of rights acquired on 1 September 2004

10. TANGIBLE FIXED ASSETS

Group	Short term leasehold improve- ments £	Fixtures and fittings £	Plant and equipment £	IT equipment £	Total £
Cost					
At 1 July 2012	100,827	13,576	215,192	32,827	362,422
Additions in year	-	1,068	51,089	6,964	59,121
At 30 June 2013	100,827	14,644	266,281	39,791	421,543
Accumulated depreciation					
At 1 July 2012	49,368	8,966	179,061	29,505	266,900
Charge for the year	24,083	1,583	15,939	3,643	45,248
At 30 June 2013	73,451	10,549	195,000	33,148	312,148
Net book value					
At 30 June 2013	27,376	4,095	71,281	6,643	109,395
At 30 June 2012	51,459	4,610	36,131	3,322	95,522

AUDYUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2013

11. INVESTMENTS HELD AS FIXED ASSETS

Group	Other investments £
Cost	
At 1 July 2012 and 30 June 2013	<u>1,192</u>

Company	Shares in subsidiary undertakings £	Other investments £	Total £
Cost			
At 1 July 2012 and 30 June 2013	<u>8,261</u>	<u>1,192</u>	<u>9,453</u>

All of the investments are unlisted

Subsidiary undertaking	Country of Registration	Activity	% of shares held
Cyrus Audio Limited	England and Wales	Design and manufacture of high quality audio equipment	100%
Cyrus Trademarks Limited	British Virgin Islands	Non trading	100%

Cyrus Trademarks Limited owns the Cyrus trademarks. Other investments comprise a 7% holding in Rephica BV, a company incorporated in The Netherlands.

12. STOCKS

	Group 2013 £	2012 £
Raw materials	386,778	461,833
Finished goods	<u>69,702</u>	<u>208,773</u>
	<u>456,480</u>	<u>670,606</u>

13. DEBTORS

	Group 2013 £	2012 £	Company 2013 £	2012 £
Trade debtors	417,860	382,072	-	-
Deferred tax asset (note 7)	7,328	11,214	-	-
Prepayments and accrued income	216,111	146,767	-	-
Amounts owed by subsidiary undertaking	-	-	<u>501,146</u>	<u>400,141</u>
	<u>641,299</u>	<u>540,053</u>	<u>501,146</u>	<u>400,141</u>

Amounts owed by subsidiary undertaking fall due after one year. All other amounts fall due within one year.

AUDYUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2013

14. CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	
	2013	2012
	£	£
Bank overdraft (secured)	152,534	219,319
Trade creditors	373,313	206,449
Other loan	8,333	8,333
Other taxation and social security costs	15,938	80,813
Accruals and deferred income	114,554	85,641
	<u>664,672</u>	<u>600,555</u>

The other loan is repayable in instalments over 3 years and bears interest at EURIBOR plus 5%

15. CREDITORS. AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Other loan (note 14)	16,667	16,667	-	-
Other creditors	26,710	26,710	26,710	26,710
	<u>43,377</u>	<u>43,377</u>	<u>26,710</u>	<u>26,710</u>

Other creditors is deferred consideration payable on the acquisition on Cyrus Trademarks Limited after unwinding of discount to 30 June 2013 and is not due within the next 12 months

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Group	
	2013	2012
	£	£
Warranty provision	<u>27,545</u>	<u>19,000</u>

17. CALLED UP SHARE CAPITAL

	2013	2012
	£	£
Called up, allotted and fully paid		
185,042 (2012 - 156,952) A ordinary shares of £1 each	<u>185,042</u>	<u>156,952</u>

AUDYUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2013

18. STATEMENT OF MOVEMENT IN RESERVES

	Share premium account £	Profit and loss account £
Group		
At 1 July 2012	244,381	268,869
Share issue	72,915	-
Retained loss for the year	-	(200,908)
At 30 June 2013	<u>317,296</u>	<u>67,961</u>
Company		
At 1 July 2012	244,381	(18,449)
Share issue	72,915	-
Retained loss for the year	-	-
At 30 June 2013	<u>317,296</u>	<u>(18,449)</u>

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Loss attributable to members of the company	(200,908)	(214,920)	-	(3,860)
Share issue	101,005	-	101,005	-
Net (reduction in) addition to shareholders' funds	(99,903)	(214,920)	101,005	(3,860)
Opening shareholders' funds	670,202	885,122	382,884	386,744
Closing shareholders' funds	<u>570,299</u>	<u>670,202</u>	<u>483,889</u>	<u>382,884</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2013

20. FINANCIAL COMMITMENTS

At 30 June 2013 the group was committed to making the following payments during the next year in respect of operating leases

	Land and buildings		Other	
	2013	2012	2013	2012
	£	£	£	£
Leases which expire.				
Within one year	-	-	-	10,991
Within two to five years	52,000	52,000	41,313	22,876
	<u>52,000</u>	<u>52,000</u>	<u>41,313</u>	<u>33,867</u>

21. RELATED PARTIES

The company has taken advantage of the exemption offered under FRS 8 not to disclose transactions with other group companies as consolidated accounts are prepared

There is no ultimate controlling party

22. SUBSEQUENT EVENTS

Subsequent to the year end the company issued 41,121 'A' ordinary shares at £2.45 per share
 Cyrus Audio Limited received a loan facility of £100,000