

Company Registration No. 02953313 (England and Wales)

AUDIO PARTNERSHIP PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019



AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
COMPANY INFORMATION

Directors S George
J Johnson-Flint

Secretary S George

Registration No. 02953313

Registered Office Gallery Court
Hankey Place
London
SE1 4BB

Auditors Wilson Wright LLP
Chartered Accountants
Thavies Inn House
3 - 4 Holborn Circus
London EC1N 2HA

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES

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AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their strategic report for the year ended 31 March 2019.

Fair review of the business and future developments

A summary of the results of the year's trading is given on page 7 of the financial statements.

Audio Partnership ("AP") designs and markets a wide range of original audio-visual ("AV") products in the UK and outsources manufacturing to partners in Asia. Our products are sold through distributors in more than 50 countries across the globe principally under the brand name of the highly regarded Cambridge Audio marque.

The company owns a 100% US subsidiary, Audio Partnership LLC and a 100% subsidiary, Cambridge Audio (Asia) Limited, incorporated in Hong Kong.

Key financial highlights

	2019	2018	2017
Revenue	£20.63m	£19.98m	£21.39m
Gross profit percentage	31.1%	33.3%	31.6%
Operating profit / (loss)	(£1,138k)	(£259k)	£289k

Gross profit has fallen from the previous year primarily as a result of impairment losses during the year. Plans are in place to increase sales in the coming year and the group will continue its existing business in the year to come working extensively with existing customers whilst actively seeking to win new business and routes to market.

Development and performance

AP aims to maximise profitable growth by identifying and exploiting opportunities in proven and emerging technologies and markets by creating products that are critically acclaimed. At the same time we will continue to maintain an environment in which colleagues are proud to work for AP and will continue to work hard to build on our trusted relationships with customers and suppliers.

During this year the group has launched new products, whilst continuing to promote products launched in the previous year. 2019 has already seen the launch of further exciting new products in new product categories which will again expand the reach and appeal of the Cambridge Audio brand.

Principal risks and uncertainties

AP is reliant on the uptake of the group's range of products and therefore any change in the market is likely to affect results. Existing products have been revised where necessary to reflect the current trends and specification requirements in each of the sectors. These new products reflect the result of the group's exhaustive research and development programme. Overall response to the new ranges from the trade has been encouraging however the global economic outlook remains uncertain.

The group is exposed to a number of financial risks from its operating activities. The Board of Directors are responsible for ensuring that the business risks are actively managed. The business does not trade financial instruments or use financial derivatives. The key financial risks are identified below:

Currency risk - Due to the global nature of our business with sales and operations overseas the business is exposed to fluctuations of sterling against our other trading currencies.

Credit risk - The group manages its credit risk by ensuring that it only engages with counterparties that have high credit ratings. The group set and actively monitor credit limits for its customers based on reference checks and payment history and further protection is provided by credit insurance on certain customers.

**AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**

Liquidity (cash flow) risk - The group manages its cash flow to ensure it can meet its obligations and requirements.

Price risk - Regulation and worldwide price transparency continue to create pressure on gross margins. The group closely monitors both gross margins and overheads with the objective of achieving adequate shareholder returns.

Environmental / legislative

The group is subject to far reaching and complex EU and foreign environmental laws and regulations. These include those governing the use; storage; handling; transportation; disposals; recycling and sale of certain products.

Post reporting date events

There have not been any important post reporting date events.

By order of the board



S George
Secretary

To date 18 September 2019

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2019

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

The directors' review of the business performance and risk exposure of the group is detailed in the Strategic Report.

Principal activity

The principal activity of the company is the development and distribution of audio and related equipment.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

S George
J Johnson-Flint

Overseas branch

The group operates an overseas branch in Germany.

Dividends

No dividends have been paid or proposed in respect of the current year (2018 - £nil).

Principal risks and uncertainties

The principal risks and uncertainties of the group are detailed in the strategic report on pages 1 and 2.

Charitable donations

During the year the group made charitable donations of £5,731 (2018 - £17,384).

Auditors

The auditors, Wilson Wright LLP, will be proposed for re-appointment in accordance with Section 485 of the Companies Act 2006.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 company and of the group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and of the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



S George
Secretary

To date 18 September 2019

AUDIO PARTNERSHIP PLC
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AUDIO PARTNERSHIP PLC

Opinion

We have audited the financial statements of Audio Partnership Plc for the year ended 31 March 2019 set out on pages 7 to 28. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 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.

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 group 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.

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 group's or the parent 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 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.

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

**AUDIO PARTNERSHIP PLC
INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF AUDIO PARTNERSHIP PLC**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

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.

Respective responsibilities of directors

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 group's and the parent 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 group or the parent 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's 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.

Wilson Wright LLP
Nikki Crane FCA (Senior Statutory Auditor)
for and behalf of Wilson Wright LLP
Chartered Accountants and Statutory Auditors
Thavies Inn House
3 - 4 Holborn Circus
London
EC1N 2HA

Date: 07/09/19

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Revenue	3	20,629,087	19,982,807
Cost of sales		(14,210,130)	(13,328,626)
Gross Profit		6,418,957	6,654,181
Administrative expenses		(7,620,128)	(7,008,516)
Other operating income		62,809	95,405
Operating loss		(1,138,362)	(258,930)
Investment income	8	-	68
		(1,138,362)	(258,862)
Finance costs	9	(200,295)	(87,964)
Loss before taxation	4	(1,338,657)	(346,826)
Taxation	10	(13,041)	(31,766)
Loss for the financial year after taxation		(1,351,698)	(378,592)

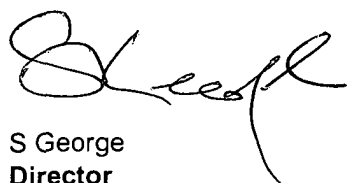
The consolidated statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

Total comprehensive income for the year and retained earnings at 31 March 2019 are attributable to the owners of the company.

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Fixed Assets					
Intangible assets	12	471,982		793,567	
Property, plant and equipment	13	<u>875,655</u>		<u>884,293</u>	
		1,347,637		1,677,860	
Current Assets					
Inventories	16	5,196,373	4,502,991		
Trade and other receivables	17	1,642,692	1,751,260		
Cash at bank and in hand		<u>152,465</u>	<u>173,503</u>		
		6,991,530	6,427,754		
Current Liabilities	18	<u>(7,380,453)</u>	<u>(5,817,142)</u>		
Net Current Assets		<u>(388,923)</u>		<u>610,612</u>	
Total Assets less Current Liabilities		958,714		2,288,472	
Provisions for liabilities	23	(395,930)		(373,990)	
Net assets		<u>562,784</u>		<u>1,914,482</u>	
Equity					
Called up share capital	25	50,000	50,000		
Retained Earnings		512,784	1,864,482		
Total Equity		<u>562,784</u>	<u>1,914,482</u>		

These financial statements were approved by the board of directors and authorised for issue on 18 September 2019 and are signed for issue on its behalf by:



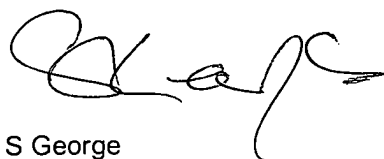
S George
Director

Company Registration No. 02953313

AUDIO PARTNERSHIP PLC
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Fixed Assets					
Intangible assets	12	471,982		793,567	
Property, plant and equipment	14	839,272		876,844	
Investment	15	66		66	
		<u>1,311,320</u>		<u>1,670,477</u>	
Current Assets					
Inventories	16	4,479,719		4,042,386	
Trade and other receivables	17	2,963,764		2,763,619	
Cash at bank and in hand		<u>78,567</u>		<u>108,038</u>	
		7,522,050		6,914,043	
Current Liabilities	18	<u>(7,516,422)</u>		<u>(5,865,269)</u>	
Net Current Assets		5,628		1,048,774	
Total Assets less Current Liabilities		<u>1,316,948</u>		<u>2,719,251</u>	
Provisions for liabilities	23	(395,930)		(373,990)	
Net assets		<u>921,018</u>		<u>2,345,261</u>	
Equity					
Called up share capital	25	50,000		50,000	
Retained Earnings		871,018		2,295,261	
Total Equity		<u>921,018</u>		<u>2,345,261</u>	

These financial statements were approved by the board of directors and authorised for issue on 18 September 2019 and are signed for issue on its behalf by:



S George
Director

Company Registration No. 02953313

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 MARCH 2019

	Share capital £	Retained earnings £	Total £
Balance at 1 April 2017	50,000	2,243,074	2,293,074
Year ended 31 March 2018			
Loss and total comprehensive income for the year	-	(378,592)	(378,592)
Balance at 31 March 2018	<u>50,000</u>	<u>1,864,482</u>	<u>1,914,482</u>
Year ended 31 March 2019			
Loss and total comprehensive income for the year	-	(1,351,698)	(1,351,698)
Balance at 31 March 2019	<u>50,000</u>	<u>512,784</u>	<u>562,784</u>

AUDIO PARTNERSHIP PLC
COMPANY STATEMENT OF CHANGES IN EQUITY
AS AT 31 MARCH 2019

	Share capital £	Retained earnings £	Total £
Balance at 1 April 2017	50,000	2,577,481	2,627,481
Year ended 31 March 2018			
Loss and total comprehensive income for the year	-	(282,220)	(282,220)
Balance at 31 March 2018	<u>50,000</u>	<u>2,295,261</u>	<u>2,345,261</u>
Year ended 31 March 2019			
Loss and total comprehensive income for the year	-	(1,424,243)	(1,424,243)
Balance at 31 March 2019	<u>50,000</u>	<u>871,018</u>	<u>921,018</u>

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Cash Flow Notes	£	2019 £	£	2018 £
Cash flows from operating activities					
Cash used in operations	1		(608,874)		(25,006)
Interest paid			(94,064)		(49,627)
Income taxes paid			(1,079)		(31,334)
Net cash outflow from operating activities			<u>(704,017)</u>		<u>(105,967)</u>
Investing activities					
Purchase of property, plant and equipment		(232,691)		(258,916)	
Purchase of intangible assets		(390,728)		(457,941)	
Proceeds on disposal of property, plant and equipment		2,768		7,117	
Interest received		-		68	
Net cash used in investing activities			<u>(620,651)</u>		<u>(709,672)</u>
Financing activities					
Payment of finance lease obligations		(3,295)		(14,347)	
Loans received		2,183,675		1,648,243	
Loans repaid		<u>(723,818)</u>		<u>(1,109,440)</u>	
Net cash generated from financing activities			1,456,562		524,456
Net increase/(decrease) in cash and cash equivalents			<u>131,894</u>		<u>(291,183)</u>
Cash and cash equivalents at the beginning of the financial year			(955,427)		(664,244)
Cash and cash equivalents at the end of the financial year			<u><u>(823,533)</u></u>		<u><u>(955,427)</u></u>
Cash at bank balances			152,465		173,503
Bank overdraft			(975,998)		(1,128,930)
Net cash and cash equivalents			<u><u>(823,533)</u></u>		<u><u>(955,427)</u></u>

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

1 Reconciliation of operating loss to cash used in operations	2019 £	2018 £
Loss for the financial year after tax	(1,351,698)	(378,592)
Adjustments for:		
Taxation charged	13,041	31,766
Finance costs	200,295	87,964
Investment income	-	(68)
Operating loss	(1,138,362)	(258,930)
Adjustments for:		
Depreciation of property, plant and equipment	238,561	245,750
Amortisation of intangible assets	160,192	122,014
Impairment of intangible assets	552,121	-
R&D expenditure credit	(61,730)	(85,000)
Operating cash flow before movement in working capital	(249,218)	23,834
Movements in working capital		
Decrease in inventories	(693,382)	244,580
Decrease/(increase) in trade and other receivables	171,377	(472,615)
Increase in trade and other payables	162,349	179,195
Cash used in operations	(608,874)	(25,006)

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting Policies

Company information

Audio Partnership Plc is a public company limited by shares domiciled and incorporated in England and Wales. The registered office is Gallery Court, Hankey Place, London SE1 4BB.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 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 Strategic Report on pages 1 and 2.

At the time of approving the financial statements, the directors have a reasonable expectation that the company and the group has access to adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

1.3 Basis of consolidation

The group financial statements include the audited accounts of the company and of its subsidiary undertakings drawn up to 31 March 2019 as detailed in note 14 to the accounts. Profits or losses on intra-group transactions are eliminated in full. The results of the subsidiaries have been consolidated from the date of their acquisition.

1.4 Revenue

Revenue is measured at the fair value of the consideration received or receivable net of value added tax and is recognised when the goods are delivered to the extent that it is probable that economic benefits will flow into the group.

1.5 Intangible fixed assets - Customer lists

Customer lists acquired are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised so as to write off the cost on a systematic basis over its estimated useful economic life of 2 years.

1.6 Intangible fixed assets - Development costs

Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised so as to write off the cost on a systematic basis over its estimated useful economic life of 2 to 5 years.

Identifiable development expenditure is capitalised where there is expected to be a benefit to future periods, its technical, commercial and financial feasibility can be demonstrated and it can be reliably measured. All other development expenditure is recognised as an expense in the period in which it is incurred.

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting Policies (continued)

1.7 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised on a straight line basis so as to write off the cost of the assets less their residual values over their useful lives:

Tooling	- 33% / 50% per annum
Fixtures, fittings & equipment	- 33% / 50% per annum

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to the income statement.

1.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a FIFO cost basis. Net realisable value is estimated selling price less costs to complete and sell.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories over its estimated selling price less costs to complete and sell is recognised as an impairment loss in the income statement. Reversals of impairment losses are also recognised in the income statement.

1.9 Non-current investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the income statement.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.10 Impairment of non-current assets

At each reporting end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting Policies (continued)

1.12 Financial instruments (continued)

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost.

Impairment of financial assets

Financial assets, other than those held at fair value through the income statement, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classifications of financial liabilities

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 assets of the group after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies are initially recognised at transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting Policies (continued)

1.13 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting Policies (continued)

1.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.2 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement.

The rate of exchange ruling at the statement of financial position date is used for translating into sterling the assets and liabilities of the overseas subsidiaries whilst the results and cash flows are translated at the average rate of exchange for the year. Exchange differences arising on consolidation are taken directly to reserves.

1.2 Returns provision

Provision is made for the sales value relating to the anticipated return of products and the costs of reworking for resale or where resale is not possible the cost of these products.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

2 Judgements and key sources of estimation uncertainty (continued)

Provision for slow moving, faulty and obsolete inventories

Management review the group's inventory holding on an ongoing constant basis. Any decision to make a provision for slow moving, faulty or obsolete inventory will be based on past and present sales information and current pricing strategies.

Provision for returns made on sales in the past two years

Management have devised a mathematical model to calculate the expected returns on sales made based on information of actual returns in the past. The provision for returns is based on a two year return period, with the great majority of returns occurring in the first 18 months of this period (see note 23).

3 Revenue

Revenue, analysed geographically between markets, was as follows:-

	2019 £	2018 £
United Kingdom	5,009,144	5,907,581
Europe	7,661,167	7,701,385
Rest of the World	7,958,776	6,373,841
	<u>20,629,087</u>	<u>19,982,807</u>

4 Loss before tax

	2019 £	2018 £
Loss before tax is stated after charging/(crediting):		
Cost of inventories recognised as an expense	13,391,791	13,090,315
Amortisation of intangible assets	160,192	122,014
Impairment of intangible assets	552,121	-
Depreciation of property, plant and equipment	238,561	245,750
Research and development	1,556,580	1,483,898
Operating lease rentals	217,238	234,025
Auditors' remuneration - audit fees	25,000	25,000
- taxation services	9,500	9,500
- other services	18,450	13,850
Exchange (gains)/losses	<u>(40,923)</u>	<u>46,872</u>

5 Loss for the Financial Year

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Group loss for the financial year includes a loss of £1,351,698 (2018 - £282,220) which is dealt with in the financial statements of the Company.

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

6 Employees (including directors)

Number of employees

The average number of employees (including directors) during the year was:

	2019	2018
	Number	Number
Administrative and management	<u>65</u>	<u>62</u>

Employment costs

	2019	2018
	£	£
Salaries	3,960,868	3,590,866
Social security costs	286,988	236,592
Pension costs	<u>31,598</u>	<u>14,007</u>
	<u><u>4,279,454</u></u>	<u><u>3,841,465</u></u>

7 Directors' Emoluments

	2019	2018
	£	£
Remuneration	252,885	272,962
Group pension contributions to defined contribution schemes	<u>1,609</u>	<u>326</u>
	<u><u>254,494</u></u>	<u><u>273,288</u></u>

Emoluments disclosed above include the following in respect of the highest paid director:

Remuneration	150,891	171,165
Group pension contributions to defined contribution schemes	<u>804</u>	<u>163</u>
	<u><u>151,695</u></u>	<u><u>171,328</u></u>

The number of directors for whom retirement benefits are accruing under defined contribution pension schemes amounted to 2 (2018 - 2).

8 Investment income

	2019	2018
	£	£
Bank interest	<u>-</u>	<u>68</u>

9 Finance costs

	2019	2018
	£	£
On bank loans and overdrafts	32,612	22,025
On finance lease	517	1,248
Other interest	<u>167,166</u>	<u>64,691</u>
	<u><u>200,295</u></u>	<u><u>87,964</u></u>

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

10	Taxation	2019 £	2018 £
	Current tax		
	UK corporation tax on profits for the year	-	-
	Tax in respect of R&D tax credit	11,730	16,150
	Foreign tax	-	15,418
	Adjustments in respect of prior years		
	Tax in respect of R&D tax credit	-	-
	Foreign tax	1,311	198
	Total tax charge	<u>13,041</u>	<u>31,766</u>

The charge for the year can be reconciled to the loss per the income statement as follows:

	2019 £	2018 £
(Loss) / profit before taxation	<u>(1,338,657)</u>	<u>(346,826)</u>
Expected tax credit based on the standard rate of UK corporation tax of 19.00% (2018 - 19.00%)	(254,345)	(65,897)
Effects of:		
Non deductible expenses	12,696	6,841
Timing differences on depreciation and capital allowances	(7,043)	(8,712)
Other timing differences	617	44,834
Losses carried forward not provided	274,148	7,590
Difference in tax rates on overseas earnings and utilisation of overseas tax paid	1,311	198
Tax in respect of R&D tax credit	11,730	16,150
Adjustments on consolidation	(26,073)	30,772
Current tax charge for the year	<u>13,041</u>	<u>31,776</u>

The company has estimated tax losses of £1,968,000 (2018 - £572,000) available for carry forward against future trading profits.

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

11 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised as an expense:

	2019 £	2018 £
In respect of:		
Development costs	<u>552,121</u>	<u>-</u>
Recognised in:		
Cost of sales	<u>552,121</u>	<u>-</u>

During the financial year a significant project that had been undertaken was deemed to be no longer technically feasible. As a result, relevant capitalised development costs have been impaired.

12 Intangible Fixed Assets

Group and Company	Customer lists £	Development Costs £	Total £
Cost			
At 1 April 2018	146,789	1,455,848	1,602,637
Additions	-	390,728	390,728
At 31 March 2019	<u>146,789</u>	<u>1,846,576</u>	<u>1,993,365</u>
Amortisation			
At 1 April 2018	146,789	662,281	809,070
Charge for the year	-	160,192	160,192
Impairment losses	-	552,121	552,121
At 31 March 2019	<u>146,789</u>	<u>1,374,594</u>	<u>1,521,383</u>
Net book values			
At 31 March 2019	<u>-</u>	<u>471,982</u>	<u>471,982</u>
At 31 March 2018	<u>-</u>	<u>793,567</u>	<u>793,567</u>

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

13 Property, plant and equipment

Group	Tooling	Fixtures, Fittings and Equipment	Total
	£	£	£
Cost			
At 1 April 2018	2,647,448	1,808,095	4,455,543
Additions	131,804	100,887	232,691
Disposals	(10,332)	(2,697)	(13,029)
At 31 March 2019	<u>2,768,920</u>	<u>1,906,285</u>	<u>4,675,205</u>
Depreciation			
At 1 April 2018	1,939,416	1,631,834	3,571,250
Charge for the year	106,026	133,558	239,584
On disposals	(9,082)	(2,202)	(11,284)
At 31 March 2019	<u>2,036,360</u>	<u>1,763,190</u>	<u>3,799,550</u>
Net book values			
At 31 March 2019	<u>732,560</u>	<u>143,095</u>	<u>875,655</u>
At 31 March 2018	<u>708,032</u>	<u>176,261</u>	<u>884,293</u>

The net carrying value of property, plant and equipment includes the following in respect of assets held under finance leases.

	2019	2018
	£	£
Net carrying value - Fixtures, fittings and equipment	<u>-</u>	<u>5,458</u>
Depreciation charged in year	<u>5,458</u>	<u>13,099</u>

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

14 Property, plant and equipment

Company	Tooling	Fixtures, Fittings and Equipment	Total
	£	£	£
Cost			
At 1 April 2018	2,647,448	1,798,902	4,446,350
Additions	131,804	62,620	194,424
Disposals	(10,332)	(2,697)	(13,029)
At 31 March 2019	<u>2,768,920</u>	<u>1,858,825</u>	<u>4,627,745</u>
Depreciation			
At 1 April 2018	1,939,416	1,630,090	3,569,506
Charge for the year	106,026	124,225	230,251
On disposals	(9,082)	(2,202)	(11,284)
At 31 March 2019	<u>2,036,360</u>	<u>1,752,113</u>	<u>3,788,473</u>
Net book values			
At 31 March 2019	<u>732,560</u>	<u>106,712</u>	<u>839,272</u>
At 31 March 2018	<u>708,032</u>	<u>168,812</u>	<u>876,844</u>

The net carrying value of property, plant and equipment includes the following in respect of assets held under finance leases.

	2019	2018
	£	£
Net carrying value - Fixtures, fittings and equipment	<u>-</u>	<u>5,458</u>
Depreciation charged in year	<u>5,458</u>	<u>13,099</u>

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

15 Fixed Asset Investment - Company	Shares in Group Undertakings £
15.1 Cost	
At 1 April 2018 & 31 March 2019	<u>66</u>

15.2 At 31 March 2019 the company held more than 20% of the equity of the following:

Name of Company	Country of incorporation	Shares Held Class	Proportion of Shares Held	Nature of Business
Audio Partnership LLC	USA	Ordinary	100%	Distribution of audio and related equipment
Cambridge Audio (Asia) Limited	Hong Kong	Ordinary	100%	Distribution of audio and related equipment

Both subsidiaries have been included in the consolidated accounts.

16 Inventories	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Raw materials and consumables	992,582	795,777	992,582	795,777
Finished goods and goods for resale	4,203,791	3,707,214	3,487,137	3,246,609
	<u>5,196,373</u>	<u>4,502,991</u>	<u>4,479,719</u>	<u>4,042,386</u>

17 Trade and other receivables	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Trade receivables	960,227	1,030,827	640,819	841,747
Amounts owed by group undertakings	-	-	1,674,454	1,216,950
Corporation tax	125,809	135,802	116,049	134,850
Other receivables	104,924	124,821	102,783	121,960
Prepayments and accrued income	451,732	459,810	429,659	448,112
	<u>1,642,692</u>	<u>1,751,260</u>	<u>2,963,764</u>	<u>2,763,619</u>

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

18	Current liabilities	Group		Company	
		2019	2018	2019	2018
		£	£	£	£
	Amounts falling due within one year:				
	Bank overdraft (secured)	975,998	1,128,930	975,998	1,128,930
	Obligations under finance lease (note 20)	-	3,275	-	3,275
	Trade payables	974,272	1,128,526	944,831	1,084,488
	Amounts due to related parties	4,668,717	2,965,437	4,933,858	3,113,073
	Corporation tax	125	-	-	-
	Other taxation and social security	99,382	105,579	96,003	103,361
	Other payables	53,110	65,529	53,110	65,529
	Accruals and deferred income	608,849	419,866	512,622	366,613
		<u>7,380,453</u>	<u>5,817,142</u>	<u>7,516,422</u>	<u>5,865,269</u>

19	Financial instruments - Group	2019	2018
		£	£
	Carrying amount of financial assets		
	Debt instruments measured at amortised cost	<u>1,047,005</u>	<u>1,105,149</u>
	Carrying amount of financial liabilities		
	Measured at amortised cost	<u>7,280,946</u>	<u>5,711,563</u>

20 Finance lease obligations - Group and Company

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable finance leases in respect of property, plant and equipment, which fall due as follows:

	2019	2018
	£	£
Within one year	-	3,275
	<u>-</u>	<u>3,275</u>

Finance lease payments represent rentals payable by the group for certain items of property, plant and equipment. No restrictions are placed on the use of the assets and the average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

21 Operating lease commitments

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £	2018 £
Operating leases which expire:		
Within one year	218,771	217,238
Between two and five years	811,808	811,808
In over 5 years	144,127	347,079
	<u>1,174,706</u>	<u>1,376,125</u>

22 Capital commitments

At the reporting date the group had capital commitments of £67,484 (2018 - £600,206), which have not been provided in the financial statements.

23 Provisions for liabilities - Group and Company

	Returns provision £
At 1 April 2018	373,990
Profit and loss account	395,930
Utilised in year	(373,990)
	<u>395,930</u>
At 31 March 2019	<u>395,930</u>

24 Retirement benefit schemes

The group operates a defined contribution pension schemes for all qualifying employees. The assets of the schemes are held separately from those of the group in independently administered funds.

The charge to the income statement in respect of defined contribution pension schemes was £31,598 (2018 - £14,007) of which £5,818 (2018 - £2,569) was unpaid at the statement of financial position date.

25 Share capital

	2019 £	2018 £
Allotted, issued and fully paid		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

The shares have full voting, dividend and capital distribution rights (including on winding up). They do not confer any rights of redemption.

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

25 Share capital (continued)

25.1 Retained earnings - Group

The retained earnings reserve represents both the company and the subsidiaries' relevant proportion of cumulative profits and losses, net of the parent company's dividends paid and other adjustments.

25.2 Retained earnings - Company

The retained earnings reserve represents cumulative profits and losses, net of dividends paid and other adjustments.

26 Guarantees

Richer Sounds Plc has guaranteed bank borrowings of Audio Partnership Plc to a maximum amount of £800,000 (2018 - £800,000).

Richer Sounds Plc is a company in which J Richer has a material interest.

27 Contingent liabilities

A former distributor in Spain has brought a claim against the company for wrongful termination of contract. The claim is in the region of €850,000, however in the opinion of the directors the claim is significantly flawed and is likely to prove unsuccessful. Accordingly, no provision has been included in the financial statements.

28 Control

The company is controlled by J Richer.

29 Related party disclosures

29.1 Transactions

During the year the following transactions were undertaken in the normal course of the business with related parties:

	2019 £	2018 £
Sales to companies under common control	4,599,044	5,567,451
Management charges receivable from companies under common control	18,033	9,874
Interest payable to companies under common control	79,841	23,217
Interest payable to directors	86,090	35,834
	<u> </u>	<u> </u>

During the year rent amounting to £202,952 (2018 - £202,952) was payable to companies under common control and £18,000 (2018 - £18,000) was payable to directors.

AUDIO PARTNERSHIP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

29 Related party disclosures (continued)

29.2 Balances

At 31 March 2019 the group had the following balances with related parties:

	2019	2018
	£	£
Amounts due to companies under common control	2,833,094	1,366,660
Amounts due to Directors	1,835,622	1,598,777
Amounts due from Directors	2,116	5,000
	<u> </u>	<u> </u>