Financial Statements
Meridian Audio Limited and its subsidiary undertakings

For the period ended 7 June 2015

Company No. 02710631

Company information

Company registration number:	02710631
Registered office:	Latham Road HUNTINGDON Cambridgeshire PE29 6YE
Directors:	A J Boothroyd D J Buchanan (appointed 27 June 2014) R J Hollinshead (appointed 23 April 2015) S D Jagoe N Robson (appointed 30 September 2014) J R Stuart E B Stuart F J Vivier N L Dolby (resigned 30 September 2014) T Ireland (resigned 3 June 2014) A E Rupert (resigned 30 June 2015)
Secretary:	N Robson
Bankers:	National Westminster Bank plc 92 High Street HUNTINGDON Cambridgeshire PE18 6DT
Solicitors:	Taylor Vinters Merlin Place Milton Road CAMBRIDGE CB4 0DP
Auditor:	Grant Thornton UK LLP Chartered Accountants Statutory Auditor Grant Thornton House 202 Silbury Boulevard Central Milton Keynes MK9 1LW

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Strategic report

Principal activities

The Group is principally engaged in the manufacture and distribution of hi-fidelity audio equipment and technology licensing.

Business review

The business successfully concluded a number of key restructuring transactions during the year, namely

- Sale of Intellectual Property
- Head count reduction and restructuring

These transactions not only delivered enhanced profit during the year but also create the clarity and platform from which we believe the business can successfully grow.

The underlying market place for premium audio hardware remains very competitive and against this back drop the Group posted sales 3.7% down year on year.

Opportunities in this sector do exist and the Group will look to achieve growth by continuing to invest strongly in research and development in order to deliver best in class products combined with investment in new services to support our trade partners in specifying and installing our product.

Revenue generation from automotive contracts was flat year on year but remains an area that the business feels it can grow by continuing to provide a best in class offering both in terms of technology and key customer support.

During the year the business assigned its rights under the HP licensing contract to a 3rd party and took steps to reduce its cost base accordingly. This transaction allows the Group to be more focussed on its core business offering and supporting its key customers.

Other Income during the year consisted of the sale of the Intellectual Property (£13.5m) and property rental income & business service fees (£0.5m).

Subsequent to the year end the company used the proceeds of the Intellectual Property sale to reduce debt in the business.

The business continues to invest significantly in research & development in order to develop new technologies that can be commercialised at some future point.
All research and development costs incurred throughout the year have been charged to the profit and loss account.

Key performance indicators

Financial

1 Turnover and gross margins are key measures of the Group's performance. Sales for the year were £10.1m (2014 - £10.5m). Gross margin was 50.0% (2014 – 56.5%) reflecting a change in the revenue mix between product and licencing revenue.

Strategic report

Key performance indicators (continued)

2 Overall profitability is a key indicator of the Group's performance. The business successfully concluded a significant IP sale during the year which supported the Group to post an overall profit for the year of £10.0m (2014 – Loss £3,572k).

3 Growth in positive Net worth is seen as an important long term target for the business. Through the sale of the IP the previous year shareholder deficit of £6,862k has been recovered and the accounts now show a shareholder surplus of £2,840k.

Principal risks and uncertainties

Principal risks and uncertainties of the business include the following:

The availability of technical staff for the development of products and new technologies – As an industry pioneer and creator of new technologies, it is important for Meridian to continue to recruit and develop employees to enable it to stay at the forefront of the industry and ahead of its competition. Meridian invests a significant amount annually into its research and development capabilities in order to drive the business forward.

The ability to profit from new technologies – Meridian has invested substantially in new IP, and, as with all new business opportunities, there is uncertainty in Meridian's ability to profit either from the introduction of such technologies and / or the sale of IP.

Competition – The market in which Meridian operates is very competitive. The investment in the marketing of products and the continued development of the Meridian portfolio of products are vital for the success of the business.

Relationships with a number of key customers – damage to or loss of any of these relationships could have a detrimental impact on the financial results of the business.

J Buchanan
Director

Date: 30 September 2015

Report of the directors

The directors present their report and the financial statements of the company for the period ended 7 June 2015.

Appointment and succession

The work on succession planning for the important Chief Technology Officer (CTO) role was completed and the Board are delighted that Richard Hollinshead was appointed as the new CTO and to the Board.

Neil Robson was also appointed to the Board and as Group Chief Financial Officer.

Mr J R Stuart remains as Group Chairman.

Directors

The membership of the Board at the end of the year is set out below.

The interests of the directors in the shares of the company at 31 May 2014 and 7 June 2015 were as follows:

	Ordinary shares		Preference shares	
	£1 each 2015	£1 each 2014	**10p each 2015**	10p each 2014
A J Boothroyd	**2,700**	2,700	15,015	15,015
E B Stuart	-	-	-	-
J R Stuart	**9,900**	9,900	-	-
N L Dolby (resigned 30/09/2014)	-	-	-	-
F J Vivier	-	-	-	-
T Ireland (resigned 03/06/2014)	-	-	-	-
A E Rupert (resigned 30/6/2015)	-	-	-	-
S D Jagoe	-	-	-	-
D J Buchanan (appointed 27/06/2014)	-	-	-	-
N Robson (appointed 30/9/2014)	-	-	-	-
R J Hollinshead (appointed 23/4/2015)	-	-	-	-

Share options

The company's share option schemes are set out in note 14 to the financial statements.

The following directors hold the following options over 'A' ordinary shares of 10p in the company's share option schemes:

	Directors	Number of options	Exercise price	Exercise period
Unapproved (formerly EMI scheme)	J R Stuart	500	£2	31.03.11 - 25.10.15

Principal financial risks and uncertainties

The Group uses various financial instruments; these include cash, overdraft facilities, bank mortgage, finance lease arrangements and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the group's financial instruments are currency risk, interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Currency risk
The Group is exposed to translation and transaction foreign exchange risk. In relation to translation risk, as far as possible the assets held in the foreign currency are matched to an appropriate level of borrowings in the same currency. Transaction exposures, including those associated with forecast transactions, are periodically reviewed and if significant a hedge would be considered. During the year no such contracts were used.

Interest rate risk
The Group's exposure to market risk for the changes in interest rates relates primarily to the Group's overdraft facility, mortgage facility and finance leases. The Group's exposure to interest rate fluctuations on its borrowings is periodically reviewed and if significant a hedge could be considered. During the year no such contracts were used.

Liquidity risk
The Group seeks to manage liquidity risk by continually forecasting both short and medium term funding requirements to ensure funds will be available as required. The maturity of borrowings is set out in note 13 to the financial statements.

Credit risk
The Group's principal financial assets are cash and trade debtors. Risks associated with cash are limited as the bank has high credit ratings assigned by international credit rating agencies.

The principal credit risk lies with trade debtors. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 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.

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

Welfare

The company continues to foster the development of personal skills in the employees by actively encouraging and supporting training at all levels.

Research and development

The Group R&D department continued their ongoing work to improve sound quality, product quality and user experience by developing and innovating audio hardware, control software and digital signalling processing (DSP) techniques.

All research and development costs incurred throughout the year have been charged to the profit and loss account.

Charitable contributions

Donations to charitable organisations amounted to £1,800 (2014 - £1,020).

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial period in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

ON BEHALF OF THE BOARD

J Buchanan
Director

Date:
30 September 2015

Grant Thornton

Independent Auditor's Report to the Members of Meridian Audio Limited

(registered number 2710631)

We have audited the financial statements of Meridian Audio Limited for the period ended 7 June 2015 which comprise the principal accounting policies, the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses, the note of historical cost profits and losses and the related notes. 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 set out on page 7, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 7 June 2015 and of the group's profit for the period 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.

Grant Thornton

Independent Auditor's Report to the Members of Meridian Audio Limited

(registered number 2710631)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Report of the Directors for the financial period for which the financial statements are prepared is consistent with the financial statements.

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.

Grant Thornton UK LLP

John Corbishley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes

Date: 6/10/2015.

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards.

The principal accounting policies of the group are set out below. The policies have remained unchanged from the previous period.

The directors have considered the working capital needs of the business for the twelve month period from approval of these financial statements and concluded that with the ongoing support of the shareholders the company will be able to meet its liabilities as they fall due. Since the year end, the company has continued its plans to further focus and restructure its core activities, to improve efficiencies and operating results.

Taking all of this into account the directors consider it appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and of its subsidiary undertakings (see note 8) drawn up to 7 June 2015. Profits or losses on intra-group transactions are eliminated in full.

A separate profit and loss account for the parent company is not presented with the group financial statements as permitted by section 408 of the Companies Act 2006.

Turnover

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT and trade discounts.

For goods sold turnover is recognised once the risks and rewards of ownership of the goods supplied have been transferred to customers. This usually coincides with acceptance of the goods by the customers, except where bill and hold arrangements operate, in which case revenue is recognised when the company has completed substantially all its obligations in connection with the sale.

Royalty income is based on structured licence agreements with customers, using either a fixed amount per product sold or a percentage of sales value. Income is recognised on an accruals basis.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation. Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The periods generally applicable are:

Freehold buildings	-	50 years
Motor vehicles	-	4 years
Fixtures, fittings and office equipment	-	4 - 5 years
Plant and machinery	-	5 years

Research and development

Research and development expenditure on new model development is charged to profits in the period in which it is incurred.

Investments

Investments are included at cost less amounts written off.

Intangible assets

Intangible assets including purchased goodwill are amortised on a straight line basis over their useful economic lives, estimated at 10 years.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

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 assets 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 balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. 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.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date except that the profit and loss account is translated at the average rate for the year. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken to reserves. All other exchange differences are dealt with through the profit and loss account.

Retirement benefits

Defined Contribution Pension Schemes

The pension costs charged against profits are the contributions payable to the schemes in respect of the accounting period.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Employee Benefit Trust

The Meridian Audio Limited Employee Share Trust (EBT) is responsible for running the company's share option plans and has powers to acquire such shares as may be needed for the purposes of the share option plan, as and when required.

Share options

The company operates share schemes, as detailed in the directors' report, and in note 14, under which it makes equity-settled share-based payments to certain directors and employees. For share-based payments to directors and employees of the company, the fair value is determined at the grant date using the Black-Scholes method, and is expensed on a straight-line basis together with a corresponding increase in equity over the vesting period, based on an estimate of the number of shares that will vest. The company has taken advantage of the transitional provisions of FRS20, Share-Based Payments in respect of equity-settled awards and has applied FRS20 only to equity-settled awards granted after 7 November 2002 that were unvested at 1 January 2005.

Consolidated profit and loss account

	Note	2015 £	2014 £
Turnover	1	**10,116,196**	10,507,913
Cost of sales		**(5,034,722)**	(4,571,930)
Gross profit		**5,081,474**	5,935,983
Other operating charges	2	**(8,582,403)**	(9,069,131)
Other operating income	1	**14,019,000**	-
Operating profit/ (loss)	17	**10,518,071**	(3,133,148)
Net interest	3	**(597,947)**	(463,234)
Profit/ (loss) on ordinary activities before taxation	1	**9,920,124**	(3,596,382)
Tax on profit/ (loss) on ordinary activities	5	**137,193**	24,594
Profit/ (loss) for the financial period	15	**10,057,317**	(3,571,788)

All of the activities of the company in the current period are classed as continuing.

Consolidated balance sheet

	Note		2015		2014
		£	£	£	£
Fixed assets					
Intangible assets	6		**504,335**		633,264
Tangible assets	7		**4,502,848**		4,637,494
			5,007,183		5,270,758
Current assets					
Stocks	9	**4,521,972**		4,387,158	
Debtors	10	**16,046,854**		2,842,400	
Cash at bank and in hand		**716,760**		410,772	
		21,285,586		7,640,330	
Creditors: amounts falling due within one year	11	**(16,492,903)**		(5,968,601)	
Net current assets			**4,792,683**		1,671,729
Total assets less current liabilities			**9,799,866**		6,942,487
Creditors: amounts falling due after more than one year	12		**(6,960,135)**		(13,804,332)
			2,839,731		(6,861,845)
Capital and reserves					
Called up share capital	14		**1,050,923**		1,050,923
Share premium account	15		**22,380,691**		22,380,691
Revaluation reserve	15		**1,970,216**		1,998,183
Capital redemption reserve	15		**700**		700
Share option reserve	15		**57,263**		57,263
Consolidation reserve	15		**(301,141)**		54,600
Profit and loss account	15		**(22,318,921)**		(32,404,205)
Shareholders' funds/ (deficit)	16		**2,839,731**		(6,861,845)

These financial statements were approved, authorised for issue by the Board of Directors and are signed on their behalf by:

J Buchanan
Director

Date: 30 September 2015

Registration number 02710631

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

	Note		2015		2014
		£	£	£	£
Fixed assets					
Intangible assets	6		**504,335**		633,264
Tangible assets	7		**4,407,539**		4,517,201
Investments	8		**2,132,879**		2,132,879
			7,044,753		7,283,344
Current assets					
Stocks	9	**3,578,582**		3,251,037	
Debtors	10	**19,514,249**		4,575,543	
Cash at bank and in hand		**567,749**		367,162	
		23,660,580		8,193,742	
Creditors: amounts falling due within one year	11	**(16,250,044)**		(5,772,081)	
Net current assets			**7,410,536**		2,421,661
Total assets less current liabilities			**14,455,289**		9,705,005
Creditors: amounts falling due after more than one year	12		**(6,960,135)**		(13,804,332)
			7,495,154		(4,099,327)
Capital and reserves					
Called up share capital	14		**1,050,923**		1,050,923
Share premium account	15		**22,380,691**		22,380,691
Revaluation reserve	15		**1,970,216**		1,998,183
Capital redemption reserve	15		**700**		700
Share option reserve	15		**57,263**		57,263
Profit and loss account	15		**(17,964,639)**		(29,587,087)
Shareholders' funds /(deficit)			**7,495,154**		(4,099,327)

These financial statements were approved, authorised for issue by the Board of Directors and are signed on their behalf by:

J Buchanan
Director

Date: 30 September 2015

Registration number 02710631

The accompanying accounting policies and notes form part of these financial statements.

Consolidated cash flow statement

	Note	2015 £	2014 £
Net cash outflow from operating activities	17	**(1,582,744)**	(2,118,535)
Returns on investments and servicing of finance			
Interest received		**32,124**	4,629
Interest paid		**(591,944)**	(447,897)
Net cash outflow from returns on investments and servicing of finance		**(559,820)**	(443,268)
Taxation		**24,594**	-
Capital expenditure			
Purchase of tangible fixed assets		**(130,942)**	(86,736)
Sale of tangible fixed assets		**-**	(2,086)
Net cash outflow from capital expenditure		**(130,942)**	(88,822)
Financing			
Issue of shares		**-**	1,999,755
Loans issued		**(750,000)**	-
Receipts of borrowing	18	**3,304,900**	700,000
Net cash inflow from financing		**2,554,900**	2,699,755
Increase in cash	19	**305,988**	49,129

Other primary statements

Statement of total recognised gains and losses

	2015	2014
	£	£
Profit/(loss) for the financial period	**10,057,317**	(3,571,788)
Currency differences on foreign currency net investments	**(355,741)**	281,714
Total recognised gains and losses for the period	**9,701,576**	(3,290,074)

Note of historical cost profits and losses

	2015	2014
	£	£
Profit/(loss) on ordinary activities before taxation	**9,920,124**	(3,596,382)
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	**27,967**	27,967
Historical cost profit/ (loss) on ordinary activities before taxation	**9,948,091**	(3,568,415)
Historical cost profit/ (loss) retained	**10,085,284**	(3,543,821)

Notes to the financial statements

1 Turnover and loss on ordinary activities before taxation

The turnover and loss before taxation are attributable to the manufacture and distribution of hi-fidelity and video equipment.

An analysis of turnover by geographical market is given below:

	2015	2014
	£	£
United Kingdom	**4,161,250**	4,422,323
United States of America	**4,161,698**	3,731,700
Europe	**848,528**	761,590
Asia	**613,909**	620,600
Rest of the World	**330,811**	971,700
	10,116,196	10,507,913

Included in other operating income is £13,500,000 (2014 - £nil) in respect of assignment of IP and £519,000 (2014 - £nil) in respect of recharges for management time and rent.

The loss on ordinary activities is stated after:

	2015	2014
	£	£
Research and development expenditure	**3,119,346**	3,160,991
Auditor's remuneration:		
Audit services	**28,200**	27,300
Non-audit services	**21,795**	20,900
Depreciation and amortisation:		
Intangible fixed assets	**128,929**	129,829
Tangible fixed assets owned	**272,813**	290,034
Other operating lease rentals	**136,727**	156,893

The parent 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 profit/loss for the year includes a profit of £11,594,481 (2014 – loss £(6,720,438)) which is dealt with in the financial statements of the company.

2 Other operating charges

	2015	2014
	£	£
Distribution costs	2,304,720	2,160,871
Administrative expenses	6,277,683	6,908,260
	8,582,403	9,069,131

3 Net interest

	2015	2014
	£	£
On mortgage	117,281	114,601
Other interest payable and similar charges	512,790	353,262
	630,071	467,863
Other interest receivable and similar income	(32,124)	(4,629)
	597,947	463,234

4 Directors and employees

Staff costs during the period were as follows:

	2015	2014
	£	£
Wages and salaries	4,314,820	4,332,566
Social security costs	388,802	368,400
Other pension costs	242,227	217,964
	4,945,849	4,918,930

The average number of employees of the group during the period was:

	2015	2014
	Number	Number
Manufacturing and distribution	39	42
Sales and administration	40	43
Research and development	17	19
Management	3	3
	99	107

4 Directors and employees (continued)

Remuneration in respect of directors was as follows:

	2015	2014
	£	£
Emoluments	738,553	554,966
Pension contributions to money purchase pension schemes	74,735	64,729
	813,288	619,695

During the period 5 directors (2014 - 3) participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2015	2014
	£	£
Emoluments	191,580	213,772
Pension contributions to money purchase pension schemes	32,137	18,792

5 Taxation on profit/ (loss) on ordinary activities

The tax credit represents:

	2015	2014
	£	£
United Kingdom corporation tax at 20.82% (2014 - 20%)	-	-
Adjustments in respect of prior periods	137,193	24,594
Total current tax	137,193	24,594

5 Taxation on loss on ordinary activities (continued)

The tax assessed for the period is higher (2014 - higher) than the standard rate of corporation tax in the UK of 20.82% (2014 – 22.67%). The differences are explained as follows:

	2015	2014
	£	£
Profit/ (loss) on ordinary activities before tax	**9,920,124**	(3,596,382)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.82% (2014 – 22.67%)	**2,065,370**	(815,300)
Effect of:		
Expenses not deductible for tax purposes	**113,075**	73,586
Differences between capital allowances and depreciation	**1,046**	13,429
Creation of tax losses	**-**	531,785
Utilisation of tax losses	**(1,960,636)**	-
Other timing differences	**(218,855)**	196,500
Adjustments in respect of prior periods	**(137,193)**	(24,594)
Current tax for the period	**(137,193)**	(24,594)

Unrelieved tax losses of some £20,997,000 (2014 - £30,800,000) remain available to offset against future taxable trading profits. No asset has been recognised in respect of tax losses due to uncertainty over the timing of their recovery.

6 Intangible fixed assets

The group and the company	**Purchased goodwill**	**Intellectual property**	**Licence agreements**	**Patents**	**Total**
	£	**£**	**£**	**£**	**£**
Cost					
At 1 June 2014 and at 7 June 2015	587,968	649,546	97,269	133,735	1,468,518
Amortisation					
At 1 June 2014	301,558	324,773	97,269	111,654	835,254
Provided in the period	57,199	64,955	-	6,776	128,929
At 7 June 2015	358,757	389,727	97,269	118,429	964,183
Net book amount at 7 June 2015	**229,211**	**259,819**	**-**	**15,306**	**504,335**
Net book amount at 31 May 2014	286,410	324,773	-	22,081	633,264

7 Tangible fixed assets

The group

	Freehold land and buildings £	Fixtures, fittings and office equipment £	Plant and machinery £	Total £
Cost or valuation				
At 1 June 2014	4,340,000	1,479,777	3,723,419	9,543,196
Additions	-	74,352	56,590	130,942
Disposals	-	(7,184)	-	(7,184)
At 7 June 2015	4,340,000	1,547,273	3,780,008	9,667,281
Depreciation				
At 1 June 2014	187,662	1,208,924	3,509,116	4,905,702
Provided in the period	62,555	109,851	100,407	272,813
Foreign exchange	-	(6,935)	-	(6,935)
Eliminated on disposal	-	(7,147)	-	(7,147)
At 7 June 2015	250,217	1,304,694	3,609,522	5,164,433
Net book amount at 7 June 2015	**4,089,783**	**242,579**	**170,486**	**4,502,848**
Net book amount at 31 May 2014	4,152,338	270,853	214,303	4,637,494

The freehold land and buildings were valued by Cushman & Wakefield as at 3 May 2012. The basis of the valuation was open market value. There were no material differences between this valuation and the carrying value of the assets disclosed above.

7 Tangible fixed assets (continued)

The company	Freehold land and buildings £	Fixtures, fittings and office equipment £	Plant and machinery £	Total £
Cost or valuation				
At 1 June 2014	4,340,000	1,147,733	3,723,419	9,211,152
Additions	-	73,133	56,590	129,723
Disposals	-	-	-	-
At 7 June 2015	4,340,000	1,220,866	3,780,008	9,340,875
Depreciation				
At 1 June 2014	187,662	997,173	3,509,116	4,693,951
Provided in the period	62,555	76,425	100,407	239,386
Eliminated on disposal	-	-	-	-
At 7 June 2015	250,217	1,073,597	3,609,522	4,933,336
Net book amount at 7 June 2015	**4,089,783**	**147,269**	**170,486**	**4,407,539**
Net book amount at 31 May 2014	4,152,338	150,560	214,303	4,517,201

The figures stated above for cost or valuation include a valuation as follows:

	The group and company Freehold land and buildings £
At valuation	**4,340,000**

If the freehold land and buildings had not been revalued, they would have been included on the historical cost basis at the following amounts:

	The group and company Freehold land and buildings £
Cost	2,529,325
Accumulated depreciation	368,252
Net book amount at 7 June 2015	**2,161,073**
Net book amount at 31 May 2014	**2,195,660**

8 Fixed asset investments

The company	**Shares in group undertakings**
	£
Cost	
At 1 June 2014 and at 7 June 2015	8,025,281
Amounts provided	
At 1 June 2014 and at 7 June 2015	5,892,402
Net book amount at 31 May 2014 and at 7 June 2015	**2,132,879**

At 7 June 2015 the company held more than 20% of the allotted share capital of the following:

Subsidiary undertaking	**Country of incorporation and operation**	**Class of share capital held**	**Proportion held**	**Nature of business**
Digital Gramophone and Wireless Limited	England and Wales	Ordinary	100%	Dormant
Meridian America Inc	USA	Ordinary	100%	Distribution of hi-fidelity equipment
Boothroyd Stuart Limited	England and Wales	Ordinary	100%	Dormant
Meridian Lossless Packing Limited	England and Wales	Ordinary	100%	Non-trading
Meridian Trustees Limited	England and Wales	Ordinary	100%	Dormant
Meridian Hong Kong Limited	Hong Kong	Ordinary	100%	Active/Non Trading

9 Stocks

	The group		The company	
	2015	2014	**2015**	2014
	£	£	**£**	£
Component parts	**1,643,270**	1,743,907	**1,643,270**	1,743,907
Work in progress	**502,726**	464,984	**502,726**	464,984
Finished goods	**2,375,976**	2,178,267	**1,432,586**	1,042,146
	4,521,972	4,387,158	**3,578,582**	3,251,037

10 Debtors

Due within one year

	The group		The company	
	2015	2014	**2015**	2014
	£	£	**£**	£
Trade debtors	**1,271,667**	1,956,179	**1,193,949**	1,682,129
Amounts owed by group undertakings	**-**	-	**3,661,629**	2,095,947
Director's loan account	**-**	21,000	**-**	21,000
Other debtors	**14,437,123**	265,722	**14,320,607**	219,943
Prepayments and accrued income	**338,064**	599,499	**338,064**	556,524
	16,046,854	2,842,400	**19,514,249**	4,575,543

11 Creditors: amounts falling due within one year

	The group		The company	
	2015	2014	**2015**	2014
	£	£	**£**	£
Bank mortgage, loan and overdraft	**14,515,180**	3,706,564	**14,515,180**	3,706,564
Trade creditors	**968,148**	1,472,308	**892,561**	1,352,199
Social security and other taxes	**123,642**	106,900	**121,053**	100,922
Other creditors	**15,192**	38,856	**15,192**	36,457
Accruals	**870,741**	643,973	**706,058**	575,939
	16,492,903	5,968,601	**16,250,044**	5,772,081

12 Creditors: amounts falling due after more than one year

	The group and the company	
	2015	2014
	£	£
Mortgage	**2,853,292**	3,276,000
Other loan	**4,106,843**	10,528,332
	6,960,135	13,804,332

The other loan is unsecured.

The mortgage is secured principally upon the freehold property. Interest on this loan is charged at 3% above the Bank of England base rate.

13 Borrowings

Borrowings are repayable as follows:

	The group and the company	
	2015	2014
	£	£
Within one year		
Bank and other borrowings	**14,515,180**	3,706,564
Between one to two years		
Bank and other borrowings	**422,708**	422,708
After two and within five years		
Bank and other borrowings	**3,302,437**	1,268,124
After five years		
Bank and other borrowings	**3,234,990**	12,113,500
	21,475,315	17,510,896

Bank and other borrowings repayable after five years comprise:

	The group and the company	
	2015	2014
	£	£
Bank and other borrowings	**3,234,990**	12,113,500

14 Share capital

	2015 £	2014 £
Allotted, called up and fully paid		
750,658 ordinary shares of £1 each	750,658	750,658
Investor share of £1 each	1	1
3,002,636 Preference shares of 10p each	300,264	300,264
	1,050,923	1,050,923

Preference shares
Holders of the preference shares can, at the discretion of the directors, receive a dividend equivalent to the nominal value of the shares and compound dividends. Distributions rank behind investor shareholder loans and interest.

Contingent rights to the allotment of shares
The company has granted options to certain employees in respect of ordinary £1 shares under a company Share Option Plan (CSOP) now unapproved, an Enterprise Management Scheme (EMI) also now unapproved, and certain other Unapproved Share Options schemes, as set out below:

Date of Grant	Type of option	Period when exercisable	Price per share £	2015 Options No	2014 Options No
17 November 2006	Unapproved (formerly EMI)	17 November 2006 - 17 November 2016	8.57	**28,000**	28,000
17 November 2006	Unapproved	17 November 2006 - 17 November 2016	1.28	**4,425**	4,425
31 March 2011	Unapproved	31 March 2011 – 31 March 2021	2.00	**9,700**	11,900
31 March 2011	Unapproved	31 March 2011 – 9 December 2014	2.00	**-**	1,400
31 March 2011	Unapproved	31 March 2011 – 25 October 2015	2.00	**3,700**	3,700
31 March 2011	Unapproved	31 March 2011 – 10 February 2017	2.00	**800**	1,000
31 March 2011	Unapproved	31 March 2011 – 30 November 2017	2.00	**2,450**	22,450
31 March 2011	Unapproved	31 March 2011 – 17 November 2016	2.00	**1,150**	1,150
				50,225	74,025

14 Share capital (continued)

The Group had the following outstanding option and exercise prices:

Period ended 7 June 2015

		2015	
Expiry dates	**Weighted average exercise price per share £**	**Options No**	**Weighted average remaining contractual life Months**
2015	2.00	3,700	4.8
2016	1.28	4,425	17.6
2016	2.00	1,150	17.6
2016	8.57	28,000	17.6
2017	2.00	800	20.7
2017	2.00	2,450	30.0
2021	2.00	9,700	70.0
As at 7 June	5.60	50,225	27.4

Period ended 31 May 2014

		2014	
Expiry dates	**Weighted average exercise price per share £**	**Options No**	**Weighted average remaining contractual life Months**
2014	2.00	1,400	6.3
2015	2.00	3,700	16.8
2016	1.28	4,425	29.6
2016	2.00	1,150	29.6
2016	8.57	28,000	29.6
2017	2.00	1,000	32.7
2017	2.00	22,450	42.0
2021	2.00	11,900	82.0
As at 31 May	4.44	74,025	33.26

14 Share capital (continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2015		2014	
	Weighted average exercise price per share £	Options No	Weighted average exercise price per share £	Options No
Outstanding at 1 June	4.44	74,025	4.07	87,225
Lapsed	2.00	(23,800)	2.00	(13,200)
Outstanding at 31 May 2014/ 7 June 2015	5.60	50,225	4.44	74,025
Exercisable at 31 May 2014/ 7 June 2015	5.60	50,225	4.44	74,025

Options held by directors
Options held by directors are listed in the directors' report.

FRS20
Management have used a Black-Scholes model to estimate the value of options granted in the current and prior periods. Significant inputs into the model include the share price at the grant date, the exercise prices shown above, weighted average volatility of 20%, dividend yield of £nil, an expected option life of 3 years, and the annual risk-free interest rate at the date of grant.

The key input to the model was the assumed share price volatility which management estimate to be 20%, by reference to companies in similar industries and stage of development.

15 Share premium account and reserves

The group

	Share option reserve £	Capital redemption reserve £	Consolidation reserve £	Revaluation reserve £	Share premium account £	Profit and loss account £
At 1 June 2014	57,263	700	54,600	1,998,183	22,380,691	(32,404,205)
Retained profit for the period	-	-	-	-	-	10,057,317
Exchange differences	-	-	(355,741)	-	-	-
Transfer of excess depreciation	-	-	-	(27,967)	-	27,967
At 7 June 2015	**57,263**	**700**	**(301,141)**	**1,970,216**	**22,380,691**	**(22,318,921)**

The company

	Share option reserve £	Capital redemption reserve £	Revaluation reserve £	Share premium account £	Profit and loss account £
At 1 June 2014	57,263	700	1,998,183	22,380,691	(29,587,087)
Retained profit for the period	-	-	-	-	11,594,481
Transfer of excess depreciation	-	-	(27,967)	-	27,967
At 7 June 2015	**57,263**	**700**	**1,970,216**	**22,380,691**	**(17,964,639)**

16 Reconciliation of movements in shareholders' funds/(deficit)

The group

	2015 £	2014 £
Profit/(loss) for the period	**10,057,317**	(3,571,788)
Other recognised gains and losses	**(355,741)**	281,714
	9,701,576	(3,290,074)
Shares issued during the period	-	300,264
Share premium on shares issued	-	(1,699,492)
	9,701,576	(1,290,318)
Shareholders' deficit at 1 June 2014	**(6,861,845)**	(5,571,527)
Shareholders' funds at 7 June 2015	**2,839,731**	
Shareholders' deficit at 31 May 2014		(6,861,845)

17 Net cash outflow from operating activities

	2015 £	2014 £
Operating profit/ (loss)	**10,518,071**	(3,133,148)
Depreciation and amortisation	**401,742**	419,863
Loss on disposal of fixed assets	**37**	12,313
Exchange differences	**271,922**	(411,565)
(Increase) in stock	**(134,814)**	(502,794)
(Increase)/decrease in debtors	**(12,295,326)**	330,019
(Decrease)/increase in creditors	**(344,376)**	1,166,777
Net cash outflow from operating activities	**(1,582,744)**	(2,118,535)

18 Reconciliation of net cash flow to movement in net debt

	2015 £	2014 £
Increase in cash in the year	**305,988**	49,129
Cashflow from financing	**(3,304,900)**	(700,000)
Change in net debt resulting from cash flows	**(2,998,912)**	(650,871)
Non-cash items	**(381,652)**	(111,395)
Exchange differences	**(300,355)**	317,029
Movement in net debt in the year	**(3,680,919)**	(445,237)
Net debt at 1 June 2014	**(17,077,637)**	(16,632,400)
Net debt at 7 June 2015	**(20,758,556)**	(17,077,637)

19 Analysis of changes in net debt

	At 31 May 2014 £	Cash flow £	Non-cash Items £	Exchange movement £	At 7 June 2015 £
Cash at bank and in hand	**410,772**	305,988	-	-	**716,760**
Overdrafts	**(2,979,840)**	-	-	(300,355)	**(3,280,195)**
	(2,569,068)	305,988	-	(300,355)	**(2,563,435)**
Bank mortgage and loan	**(14,508,569)**	(3,304,900)	(381,652)	-	**(18,195,121)**
	(17,077,637)	(2,998,912)	(381,652)	(300,355)	**(20,758,556)**

20 Capital commitments

Neither the group nor the company had any capital commitments at 7 June 2015 or 31 May 2014.

21 Contingent liabilities

There were no contingent liabilities at 7 June 2015 and 31 May 2014.

22 Retirement benefits

Defined Contribution Pension Schemes
The group operates defined contribution pension schemes for the benefit of directors and employees. The assets of the schemes are administered by trustees in funds independent from those of the group.

23 Leasing commitments

At 7 June 2015 the group had annual commitments under non-cancellable operating leases as follows:

		2015		2014
	Land and buildings	**Other**	Land and buildings	Other
	£	**£**	£	£
Contracts expiring:				
In one year or less	**-**	**41,075**	-	26,425
Between one and five years	**89,172**	**47,381**	137,675	83,118
	89,172	**88,456**	137,675	109,543

24 Transactions with directors and other related parties

The company's overdraft facility with the Boston Bank is facilitated through the Charles H Taylor family trust of which E B Stuart and S E Taylor are trustees. The balance outstanding at 7 June 2015 was £3,280,194 (2014 - £2,979,840).

The Charles H Taylor Family Trust advanced a mortgage of £1,638,000 in 2012-2013. Interest is payable at a rate of 3% above the Bank of England base rate, and the full amount remains outstanding at the period end.

The company previously incurred relocation expenses in respect of Mr T Ireland, a director. A £21k interest free bridging loan was included in trade debtors as at 31 May 2014 in respect of Mr Ireland. It has been settled in the period.

The group incurred costs of £37,590 (2014 - £31,969) in product development and marketing from Cambridge Product and Design Limited during the year. The outstanding balance at the year end was £ 3,734 (2014 - £11,798). The companies are connected in that Mr A J Boothroyd is a director and shareholder of both companies.

During the prior year The Muse Group, the controlling related party, advanced a loan of £700,000 to the company. The loan accrued interest at 8% and was due for repayment on 30 September 2018. A new £6m loan facility including the £700,000 already advanced under the previous agreement was provided during the period. The revised loan accrues interest at 6% and is repayable in quarterly instalments commencing in 2018. The total balance outstanding at the period end including accrued interest was £3,286,697 (2014 - £704,237).

During prior years The Muse Group advanced a loan to the company. The loan accrued interest at 3.25% and was due for repayment on 30 September 2018. The total balance outstanding at the period end was £10,882,424 (2014 - £10,528,332).

In October 2014 The Muse Group advanced a further loan of £750,000 which was subsequently loaned to MQA Limited, a related party by virtue of being under common control. The loan to MQA Limited earns interest at 6% and is repayable on demand. The full amount is outstanding at the period end, and the balance due from MQA Limited is included in other debtors. During the period ended 7 June 2015 the company also charged MQA Limited £519,000 for management time and rent.

The Muse Group advanced a mortgage of £1,638,000 in 2012-2013. Interest is payable at a rate of 3% above the Bank of England base rate, and the full amount remains outstanding at the period end.

On 7 June 2015 the company assigned Intellectual Property Rights to Reinet SARL, a related party through The Muse Group, for consideration of £13.5m. At period end the full balance is due and is included in other debtors.

Transactions with subsidiary undertakings have been included in the financial statements of the company and eliminated on consolidation.

The company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related Party Disclosures" for a wholly owned subsidiary company not to disclose transactions with other members of the wholly owned group headed by Meridian Audio Limited as the consolidated financial statements of Meridian Audio Limited are publicly available.

25 Controlling related party

In the opinion of the directors, Muse Holdings Sarl is the controlling related party of the company and Reinet Investments SCA is the ultimate controlling party.