

Elitesound group of companies

Group Structure

Elitesound is the holding company for the group and owns 100% of the share capital of Leaf Technologies Limited, Tonewear Limited and Websound Limited. Tonewear acquired the Intellectual property of Sense Sonic Limited related the Conversor hearing aid products and Websound acquired the tooling associated thereto.

Elitesound is funded by a group of private investors who have provided £50,000 of share capital and £450,000 loan capital secured by a debenture and a further working capital facility if required.

Elitesound in turn has advanced £25,000 to Websound, £30,000 to Tonewear and acquired the intercompany loan of £1.33million owed by Leaf to Sense Sonic. All the loans are secured by way of a debenture over the assets of the subsidiary companies.

Board and Management

Jeremy Brassington, Managing Partner of Bulldog Partners Limited, is Chairman of all the group companies and Brian Dickie remains as CEO of Leaf. Jeff Myers, most recently CEO of AV Electronics, a successful sub-contract manufacturing company which he sold in 2002, will become non-executive director of Elitesound and Leaf with a specific brief to support the sales and marketing function. He is well connected in the electronics industry and also has some hearing aid intellectual property which Tonewear is seeking to acquire. Any manufacturing of the Sense Sonic and other related and new hearing aid products will be carried out by Leaf.

Strategy

Leaf will continue to be run as a stand alone sub-contract manufacturing facility for the electronics and telecoms industries. There will continue to be demand for short run, flexible and niche sub-contract facilities such as Leaf's. Clearly volume production will continue to be outsourced to the Far East, however Leaf's design and flexible manufacturing capabilities provide a service element which cannot be provided by the Far East.

Jeff Myers will provide introductions to a large number of potential new customers with a view to doubling the size of the current business. The manufacturing capacity at Leaf can easily be doubled without very much additional capital spend or labour requirement. At these volumes the business will be very profitable and cash generative.

The Sense Sonic product range will be developed with the design of a digital version at Leaf together with grant funding from the Northern Ireland Development Agency. Jeff Myers will also review with Brian Dickie how the sales of the existing Conversor can be enhanced in the short term. Tonewear will acquire the IPR developed by Jeff Myers in return for either equity or some form of royalty stream. It is believed that this product range can generate upwards of £2.5million of sales in the short term.

In the medium term the strategy will be to acquire complementary businesses which can either be relocated to Leaf's premises or are of sufficient size that they can be run in parallel facilities. As the demand for sub-contract manufacturing grows post the telecoms recession there will be a growing need for just-in-time facilities. Techdyne in Scotland, now renamed Simclar, is a classic example of a successful company in this sector with sales of £130m forecast for this year.

The plan is to grow the company through organic growth and acquisition to a size where it either becomes an attractive acquisition candidate for a trade buyer or is of sufficient size to achieve a flotation.