Strictly Embargoed until 07.00, 16th November 2021

Focusrite plc
("the Company" or "the Group")
Final Results for the Year Ended 31 August 2021

Focusrite plc (AIM: TUNE), the global music and audio products company, announces Final Results for the year ended 31 August 2021.

Phil Dudderidge, Founder and Executive Chairman commented:

"We are delighted with these outstanding results, having overcome disruption to component suppliers, factories, logistics and changes to working practices. With so many lockdowns around the world, musicians, podcasters, and other creatives in audio and sound have been investing in Focusrite interfaces and 'studio packs' in record numbers while we work hard to meet that challenging demand. Major global take-up in home recording has also resulted in significant growth in demand for ADAM Audio monitor loudspeakers and Novation products. In the professional audio industry, renewed demand from the live sound market promises further growth in 2022 and 2023 as sound service companies reinvest in the new generation of Martin Audio event systems".

Financial and operational highlights

	FY21	FY20	Change
Revenue (£ million)	173.9	130.1	+34% (+28% organic[1])
Gross margin	48.4%	46.0%	+2.4ppts
Adjusted EBITDA[2] (£ million)	47.5	28.6	+67%
Operating profit (£ million)	35.8	7.9	+353%
Adjusted[3] operating profit (£ million)	41.4	23.0	+80%
Basic earnings per share (p)	48.8	7.1	+587%
Adjusted[3] diluted earnings per share (p)	57.5	32.8	+75%
Total dividend per share (p)	5.2	4.2	+24%
Net cash (£ million)	17.6	3.3	+£14.3m

- Revenue growth of 34% across the group reflecting continued growth of core customer base.
    - Focusrite products up by 24% to £124.4 million (FY20: £100.7 million) driven principally by the Scarlett 3rd Generation range.
    - Novation revenue up by 14% as the new generations of Circuit and Launchkey products gained traction.
    - Martin Audio grew by 23% (organic[1] constant currency growth) returning to pre COVID-19 levels at end of year.
- Growth across all major geographic regions: North America was up by 47%; Europe, Middle East and Africa ('EMEA') by 23%; and the Rest of World by 32%.
- Acquisition of Sequential completed in April 2021 for $20 million net of acquired cash.
- Launch of a new brand, Optimal Audio, operating in the commercial audio market.
- Year-end net cash balance of £17.6 million (FY20: £3.3 million), repaying debt drawdown of $10m for Sequential in four months
- Increased investment in our people, technology, IT, management systems and tools.
- 13 new hardware products launched within Focusrite as well as numerous software/firmware updates.
- Final dividend of 3.7p recommended, resulting in 5.2p for the year, up 24% on prior year.

1 The organic constant currency growth rate is calculated by comparing FY21 revenue to FY20 revenue adjusted for FY21 exchange rates and the impact of acquisitions (more detail in the Financial Review on page 12).

2 Comprising earnings adjusted for interest, taxation, depreciation, amortisation, goodwill impairment and adjusting items.

3 Adjusted for amortisation of acquired intangible assets, goodwill impairment and other adjusting items.

Commenting on the outlook Tim Carroll CEO, said:

"Since the year end, demand for the vast majority of our Group products has remained strong, and those sectors negatively impacted by COVID-19 are showing ongoing signs of recovery. All the Group's acquisitions are settling in well, numerous cross-business initiatives have already been completed and many more are slated to occur later this year, the benefit of which we expect in the latter part of FY22 and into FY23. Our roadmap across all the brands remains robust, with many new product introductions planned to occur later in FY22. Accordingly, we are now cautiously optimistic about the prospects for modest revenue growth in the current year.

"Our growth strategy continues to pay off; providing focus and clarity on where we should invest and deploy our resources. This focus has been a crucial element in enabling us to navigate through the myriad of macroeconomic and pandemic related issues we have encountered across this past year. Whilst there remains considerable opportunity for operational leverage across the Group as revenue increases, in FY22 operating costs will increase to reflect current tightness in supply chains, travel resuming and our intention to increase investment, where appropriate, in order to fuel future growth in the business".

"Our teams have worked passionately and diligently through these continuing uncertain times and delivered impressive financial and operational results for our investors. We look forward to another year of innovation and expansion."

Availability of Annual Report and Notice of AGM

The Annual Report and Accounts for the financial year ended 31 August 2021 and notice of the Annual General Meeting ("AGM") of Focusrite will be posted to shareholders by 23 November 2021 and will be available on Focusrite's website at www.focusriteplc.com.

Dividend timetable

The final dividend is subject to shareholder approval, which is being sought at Focusrite's AGM to be held on 17 December 2021.

The timetable for the final dividend is as follows:

17 December 2021	AGM to approve the recommended final dividend
30 December 2021	Ex-dividend Date
31 December 2021	Record Date
31 January 2022	Dividend payment date

- ends -

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This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 (MAR)

Notes to Editors

Focusrite plc is a global audio products group that develops and markets proprietary hardware and software products. Used by audio professionals and musicians, its solutions facilitate the high-quality production of recorded and live sound. The Focusrite Group trades under eight established brands: Focusrite, Focusrite Pro, Novation, Ampify, ADAM Audio, Martin Audio, Optimal Audio and Sequential.

With a high-quality reputation and a rich heritage spanning decades, its brands are category leaders in the music-making and audio recording industries. Focusrite and Focusrite Pro offer audio interfaces and other products for recording musicians, producers and professional audio facilities. Novation and Ampify products are used in the creation of electronic music, from synthesisers and grooveboxes to industry-shaping controllers and inspirational music-making apps. ADAM Audio studio monitors have earned a worldwide reputation based on technological innovation in the field of studio loudspeaker technology. Martin Audio designs and manufactures performance-ready systems across the spectrum of sound reinforcement applications.

The Focusrite Group has offices in four continents and a global customer base with a distribution network covering approximately 240 territories.

Focusrite plc is traded on the AIM market, London Stock Exchange.

Chairman's Statement

It is almost seven years since Focusrite plc joined the AIM market (December 2014) and we have continued to deliver for our investors, customers and people. The growth of the business, organically and more recently through acquisition, has more than justified the confidence placed in our management and staff by the original institutional investors, a great number of whom remain invested in the Company, as well as those which have joined us more recently. We remain grateful to you all for your support.

It was a particularly proud moment when we discovered that we had won the prestigious Company of the Year Award at the AIM Awards 2021, which was held in Old Billingsgate, London in front of over 1,400 guests a few weeks ago. It is a true testament to all the hard work and dedication of our employees, senior leadership team and Board of Directors.

As a business we have a primary purpose: to satisfy the needs and expectations of our customers, most of whom are investing their passion, careers and businesses in music creation, recording and performance.

I would like to express my personal thanks to all the stakeholders who contribute to our success and to the management teams that make it all happen, by ensuring that we make products that are the best choice for each and every customer, whether a musician, sound designer or technician who decides what is the best product to meet their needs.

We have a strong relationship with our partners that assemble and distribute our products to customers, globally, whose commitment has enabled Focusrite Group brands to meet the potential we have created in the market.

And we also have a huge reliance on our employees in our branded business units who invest their careers with us, to enable us to achieve our goals, and I thank them here for their contributions to our successful performance.

The COVID-19 pandemic has challenged all businesses but as you will read in the following CEO and CFO reports, Focusrite plc has achieved outstanding results while overcoming disruption to component suppliers, assembly factories, international logistics and markets, as well as dealing with the challenges of enforced changes to everyday working practices.

In the professional audio industry, the global suspension of live music performance for 18 months (and still in recovery) impacted our new member of the Group, Martin Audio, which was acquired just three months before the pandemic hit in March 2020. I am pleased to report the commitment and agility with which the Martin Audio team has pivoted the focus of their business to Installed Sound (including places of worship, auditoria and nightclubs) and away from Touring and Festival Sound for which it was historically best known. They have delivered a great performance (no pun intended) in the 2021 financial year as you will read in the following pages, to the credit of CEO Dom Harter and his team. Renewed demand from the live market promises further growth in 2022 and 2023 as the sound service companies reinvest in the new generation of Martin Audio event systems.

With so many people affected by lockdown regulations around the world, musicians and people using Zoom particularly for creative purposes like voice-overs as well as podcasters, have been investing in Focusrite audio interfaces and 'studio packs' in record numbers while we battle to meet that demand, month in, month out. Home recording generally is booming and that has also been reflected in significant growth in demand for ADAM Audio monitor loudspeakers and Novation products too.

Most recently, our acquisition of Dave Smith's Sequential brand of synthesisers has reinforced our commitment as a Group to this genre of musical instrument. Sequential is arguably the 'Rolls-Royce' of synthesiser brands and with Novation as a stablemate the Group is in a very strong position to grow in this market.

Focusrite plc is recognised in our industry as a successful and friendly home for complementary branded businesses, with the ongoing successful integration of our ADAM Audio and Martin Audio acquisitions. This fits our ambition to build the Group through acquisitions which can address adjacent segments within the vertical markets we serve; music recording and creation, live performance, audio post-production for film and streaming content, media education and audio networking (which has applications in all of the verticals).

I would like to thank Jeremy Wilson, our Chief Financial Officer (‘CFO’) who left in March 2021, for his leadership and stewardship of the finance team, as well as his contribution to the achievement of our continued growth, profitability and cash generation.

Our business is becoming more complex with organic growth and acquisitions too. I would like to commend our Chief Executive Officer (‘CEO’), Tim Carroll, CFO Sally McKone and the entire Group Executive Team for embracing the challenges and enabling the Group to deliver record results in FY21. We look forward to continuing the trends we have established over recent years.

Phil Dudderidge
Founder and Executive Chairman
15 November 2021

Chief Executive's Statement

Introduction

I am very proud to share with you our results for the financial year ended 31 August 2021. The Group has continued our pattern of record-breaking financial performance, fuelled by organic growth across all brands as well as a partial year contribution from Sequential, our latest acquisition, and a full-year contribution of Martin Audio.

FY21 presented us with a mix of opportunities and challenges. As the pandemic continued throughout the world, we witnessed more people turning to creative content creation including music, podcasting and video, which resulted in continued high demand for audio recording related solutions. The Group also experienced the continued closure of live sound events which had a negative impact on our offerings in that market. Component shortages and shipping/logistics issues have also been very challenging throughout this year, but to date, the Group has fared well through this with long-term planning and intensive data analysis. This past year saw more investment in our people, technology and tools to ensure our plans were achievable and to give us as much insight as possible into customer buying behaviours and trends in the market mitigating its effects.

Our employee base has now grown to over 475 strong and we continue to invest in our people, promoting from within as well as continuing to hire top talent in all divisions across the Group.

Our office footprint is global, with key locations in the UK (High Wycombe and London), Germany (Berlin), Hong Kong, Mexico, Australia and the US (Los Angeles, Nashville and San Francisco). Our employees are a highly passionate group of individuals, many of whom are also accomplished musicians, DJs, audio engineers, live sound specialists and podcasters in their own right. We are so fortunate to have so many people who leave work and actually use our solutions in real world environments; bringing their experiences and feedback back into work to continually improve our offerings.

The wellbeing of our employees continues to be a top priority. The ongoing work at home environment as well as the slow, methodical return to work plans brought many unique challenges to the Group. By providing the necessary tools, support and flexibility, the Group rose to the challenge and as a result, the vast majority of our employees have managed well through all of this and continued to ensure that strategic objectives and initiatives hit their timelines. The Group has also made significant steps in ensuring we are maturing in our diversity and inclusion policies and green initiatives, two subjects that are very important to our employees, Board and management.

This year has seen increased focus and investment into both areas. The Group hired our first Head of Sustainability. This role champions all aspects of how we can do our part to move forward global green initiatives. Even at this early stage, this role has already helped us make decisions that will have impact. For example, the Group was able to switch to a new renewable electricity contract that reduced the carbon footprint of our UK offices. Additionally, the Group has made strident efforts to raise awareness on D&I issues in our industry, including numerous internal training/awareness seminars and support of charities and institutions that promote equal opportunity for everyone.

Our operations

The Group's products are sold in approximately 240 territories throughout the world. We continue to refine our routes to market as macroeconomic conditions change and new opportunities come to light. We utilise a mix of retailer/system integrators (online as well as brick and mortar shops), distributors in specific countries where localisation, support and supply to the local channel are factors, and direct to the end user via our own e-commerce platform and in-app software purchases.

Last year we sold over 1.5 million physical products, had over 1.4 million downloads of our various software titles, and began our subscription and rent-to-own software offerings, which is growing steadily month on month. Our manufacturing approach is multifaceted, driven by the specific needs of each individual business unit. FAEL (Focusrite, Focusrite Pro, Novation and Ampify) hardware and software is all designed in the UK and hardware products are produced in Malaysia and China. ADAM Audio products are all designed in Berlin. Some ADAM Audio products are manufactured in Berlin whilst the higher volume retail products utilise Chinese contract manufacturing. Martin Audio's products are all designed in the UK, with a portion of their range built in the UK and the balance using Chinese contract manufacturing as well. Our newest acquisition, Sequential, develops all of their products in the US and assembly is also completed in the US.

Our market

Our products and solutions service a wide spectrum of customers all of whom are seeking high-quality audio results. Until 2020, the majority of our offerings were focused on music and audio creation, with solutions designed for a wide range of customers, including the absolute beginner, hobbyist and both the aspiring and seasoned professional. The majority of the Focusrite, Focusrite Pro, Novation, Ampify, ADAM Audio and Sequential portfolio aligns with these customer personas.

With the acquisition of Martin Audio in late 2019 and the launch in 2021 of the Optimal Audio brand, we expanded our offerings into professional audio reproduction. The Martin Audio and Optimal brands offer professional quality sound reproduction solutions for small bands to the largest professional tours and festivals, and for permanent installations for bars, clubs, corporate, houses of worship, theatres and performance halls. Having a stake in both the production of audio content as well as the reproduction gives the Group a well differentiated experience in that our solutions help artists throughout their entire journey of creating, recording and performing.

Each of the individual business units continue to focus on innovation, ensuring a healthy roadmap of both new versions of our core products as well as totally new solutions each year. The world of audio creation and reproduction is constantly evolving, and with that we spend considerable effort and resources on our R&D efforts to ensure we are at the forefront of technology, new standards and workflows for our customers. Along with organic development, the Group carefully considers new acquisitions that will add to our market potential and expanding R&D resources.

We actively collate industry market data along with our own internal data collection efforts to better understand our customers, their needs and buying behaviours. From this, we categorise our customers into personae for audio creation sectors and by venue for audio reproduction. For audio content creators, these are:

- Aspiring Creator: A customer who may have little to no music or audio recording experience but is interested in learning more.
- Passionate Maker: A customer who has the desire to create or produce high-quality music or audio content (such as podcasting).
- Serious Producer: A customer for whom audio and/or music production is more than just a hobby and is considering a potential career path in these fields.
- Music Master/Facility: Highly skilled musicians, audio engineers, producers and business entities focused on the production of music or audio content for their livelihood.

For audio reproduction, the classifications are as follows:

- Hospitality: Cafes, bars, restaurants and hotels
- Houses of Worship: From 50-seat chapels to 10,000-seat mega churches.
- Auditoria: Education and conference spaces
- Nightclubs: Nightclubs of all sizes
- Live Events: Concerts, festivals, theatre, corporate showcases.

Operating review

The Group has had another successful year building our core customer base, increasing revenues, whilst prudently managing our cost base to maintain healthy gross margins and drive EBITDA[1] performance and cash generation.

Revenue for the Group grew by 34%: comprised of growth from FAEL of 24%, growth from ADAM Audio of 37%, growth from Martin Audio of 70% (full year vs eight months previous), and four months of Sequential. Adjusted EBITDA[1] increased 67% over FY20.

Many factors contributed to this successful outcome: continued success of legacy products and products introduced in previous years, new product introductions, accelerated growth of user base, further evolution in our routes to market approach and continued tight control on expenses.

[1] Comprising earnings adjusted for interest, taxation, depreciation, amortisation, goodwill impairment and adjusting items (see table reconciliation on page 14).

Throughout this past year, the Group has encountered a number of challenging macroeconomic events, such as Brexit, continued work at home and restricted travel due to COVID-19, component shortages together with freight and logistics issues. To date, we have been able to mitigate the negative impact of these, by sensible business planning and in some cases, maximise opportunities. We are aware that these issues will continue well into this new year, but we remain confident in our level of preparedness and ability to adapt where necessary.

Purchase of Sequential

In late April of 2021, the Group announced the completion of the acquisition of Sequential, a legendary American synthesiser company founded and run by Dave Smith. This is our third acquisition since the beginning of 2019. The initial consideration was $20 million, with a further payment to be made to Sequential employees of up to $4 million if agreed gross profit targets are met.

Demand for analogue synthesisers is high and Sequential revenues increased by 90% in the 12 months to August 2021 compared to the same period in the prior year.

Sequential employs 18 full-time team members, and all except one work out of the high-tech region of the San Francisco Bay Area. Approximately 35% are engaged in research and development.

We have already identified many opportunities to use the strengths of the Group to help Sequential to grow, covering areas such as: component sourcing, distribution logistics, global customer support availability, marketing automation and reseller channel expansion.

Demand for Sequential products remains strong and despite similar component availability challenges that we face in other Group companies, we remain excited about their product roadmap and growth potential, with multiple new products anticipated throughout 2022.

Continued impact of COVID-19

As the pandemic continued throughout this past fiscal year, a number of challenges discussed in the previous year's Annual Report continued: these included work at home mandates, various lockdowns in our own facilities and with our contract manufacturers, and a continued end user preference for e-commerce purchases vs brick and mortar. As with the previous year, the Group was well equipped to handle these challenges. Additionally, the prolonged period of the pandemic did bring new global challenges, most notably around component availability across the supply chain and constraints on logistics and shipping.

Component availability is an ongoing concern that every manufacturer has to deal with, even during normal business times. Over this past year, demand for silicon and wafer sky-rocketed as many companies found themselves unprepared for the increased demand in electronics. This was severely aggravated with many companies, which purchase on a 'just-in-time' model, cutting back orders during the early stages of the pandemic, leading to many manufacturers paring down capacity. When the demand started to come back, the entire wafer producing industry found itself unprepared to satisfy this demand. This has resulted in materially elongated lead times, spot buys at much higher than normal pricing, and in some cases, the need to rework products in order for them to utilise a more available or less costly component. To date, the Group has weathered the storm on this well, with only small intervals of stock unavailability and moderate increases for cost of goods. Part of this is attributable to leveraging component buys at the Group level rather than at an individual business unit level and placing long lead time orders and commitments early on when these issues first began to arise. While this is still an ongoing issue, we are confident in our ability to supply a steady flow of product through our channel to ensure any stock unavailability is kept to a minimum.

Likewise, logistics and freight have also experienced increased lead times and costs to ship product to and from our contractor manufacturers and various warehouses. This has been exacerbated by various port pandemic closures as well as increased demand for the availability of sea and air freight carriers and containers. Like component availability, this is an ongoing economy-wide global problem and the Group is working in close contact across our various channels, with our third-party logistics providers and with our manufacturers to keep product flowing into customers' hands.

Throughout all the continuing and new challenges that COVID-19 is causing, the Group is performing well, with very healthy revenue and margin results and a number of new product introductions, a new acquisition, and continued execution on our growth strategy. As always, we will continue to monitor these events and work with our partners to deliver solutions on a timely basis.

Brand overview:

Focusrite
The Focusrite branded product family, which includes Scarlett and Clarett audio interfaces had another strong year, with a 28% year-on-year organic increase in revenue. Audio interfaces provide the conduit between the world of recordable material (e.g., instrument, voice, sound effects) and the computer and Digital Audio Workstation ('DAW') software that allows one to capture, edit and mix audio components into a final product. Demand for audio interfaces remained strong throughout the year as more and more audio content was created for various platforms, including music creation, voice recording (podcasting and voiceover) and soundtracks for video. Additionally, but still to a much smaller degree than the above, we continue to see more customers purchasing audio interfaces for higher fidelity streaming workflows such as gaming and conference calls. Whilst the pandemic and associated lockdowns certainly drove many customers to seek out this type of technology for their home studio or working needs, the demand post lockdown has continued to be materially higher than pre-COVID-19 levels. We believe that the various lockdowns and work from home mandates accelerated the growth and recognition of these solutions as viable audio production tools, consequently increasing our base of customers worldwide.

Additionally, late this past year the Group launched a new set of audio plug-ins branded Focusrite FAST plug-ins. Developed in tandem with Sonible, a well-known audio Digital Signal Processing ('DSP') company, these plug-ins incorporate AI that enables customers at any level to sonically sculpt their audio content in unique and creative ways. These plug-ins have received numerous accolades from our community.

Focusrite Pro:
The Focusrite Pro suite of solutions provides professional audio engineers and facilities with the best quality audio in scalable systems that fit the need for any professional workflow, including music creation, post-production, broadcast and live sound.

This brand launched several new products this past year that were well accepted across the professional community. This included several updates to our industry standard RedNet solutions, the A16R Mk II and D16R MK II, as well as several net new solutions: the R1, a studio grade desktop remote controller, the Red8, a new entry into our pro line of audio interfaces and new DANTE-enabled option cards for the world-renowned ISA mic pre.

The Focusrite Pro brand had a very successful year, rebounding from the pandemic and finishing up 40% from the previous year.

Novation:
Electronic music, and its many genres, continues to grow and to democratise the art of music creation. The Novation brand encompasses a suite of products and solutions focused on the creation and playback of electronic music.

The product range includes industry recognised premium keyboard and pad controllers, grooveboxes and synthesisers and is aimed at a wide swathe of end users, from the absolute beginner just exploring how to make beats, all the way through to the professional DJ, producer, and musician. This past year, the Novation brand introduced two new members of the Circuit groovebox family: Circuit Tracks and Circuit Rhythm. These two products have received numerous accolades from the industry as powerful music creation tools that enable musicians of all experience levels to create great sounding tracks. Additionally, Novation introduced the AFX Station, an update to our award-winning Bass Station synth. These new products, along with continued strength in the existing portfolio resulted in revenue growth of 15% to prior year.

Ampify:
Ampify expands the Group's electronic music offerings into iOS and cross-platform desktop solutions that allow anyone to experiment with and create high-quality soundtracks. The apps are all free to download.

Ampify Studio, our desktop music creation app, is bundled with all Focusrite and Novation hardware and is a great first immersive learning step into the world of audio creation and production. Our iOS music creation apps are considered industry leading, including functionality to emulate our Launchpad hardware and easily create great sounding tracks. All the apps have paid feature upgrades, which include enhanced editing tools as well as access to a large suite of royalty-free sounds and loops in a wide range of musical genres. This library of sounds is constantly increasing, with new sound packs coming out approximately every two weeks.

Over the past year, our Ampify iOS App had 1.4 million downloads, with roughly 565,000 in-App purchases. The number of in-App purchases declined year over year as we introduced a subscription service for content and features for the most popular iOS App, Launchpad, as well as for Ampify Studio. The total number of active subscriptions ended the year at 5,700 and is growing every month.

ADAM Audio:
The ADAM Audio brand of professional studio monitors and headphones are utilised by every customer persona in the audio creation customer sectors described earlier. ADAM Audio's reputation for best-of-breed monitoring solutions across all their offerings and price points continues to grow. ADAM Audio achieved a 37% growth in revenue for the year ended 2021. Additionally, the ADAM Audio sales and marketing team took over distribution of FAEL (Focusrite, Focusrite Pro and Novation) products for Germany. Having a local team with strong ties to the reseller community has paid off, with ADAM Audio growing the German FAEL business by over 23%.

This success comes from every department within ADAM Audio stepping up and showing great initiative. Our sales and marketing teams have refined past campaigns whilst also developing new and cutting-edge ways to showcase our products to our passionate and growing audience. Our AAAP (ADAM Audio Academic Program) has been expanded into new regions and markets while our 'Women in Music' initiative is progressing strongly, shedding a much-needed light on the under-representation of women within the audio industry. These campaigns, alongside our sales and marketing initiatives, are devoted to our core vision: being as close to and relational as possible with our end customers. Lastly, the ADAM Audio research and development team has also been hard at work developing new, groundbreaking technologies; some of this work will reveal itself with product launches in 2022.

Martin Audio:
Martin Audio remains the UK's largest manufacturer of professional loudspeakers for both live and installed sound. 2021 saw the brand enter its 50th year, during which time Martin Audio's equipment has been found supporting acts from Pink Floyd in the early days through to major artists at some of the world's largest festivals such as All Points East, BST Hyde Park and Rock in Rio. Alongside this, since the early 1990s, Martin Audio has been manufacturing high-end professional installed sound systems which can be found in some of the most prestigious facilities in the world, such as the Nobu Hotel in Chicago which was fitted out with Martin Audio's recently revamped CDD enclosures in October 2020.

FY20 gave the Martin Audio team a huge challenge as many markets went into lockdown, but the resilience of the team delivered a positive EBITDA[2] in an eight-month period. In FY21 the team set the ambitious task of rebuilding the business to pre-COVID-19 levels. This was achieved with the team at Martin Audio contributing £3.8 million EBITDA[2] in FY21.

The team refocused the short-term roadmap throughout the pandemic focusing on bolstering and growing the smaller installed sound business. This was particularly true in China where local small entertainment venues have seen a boom; the net result being significant revenue growth in APAC.

Closer to home, as we entered the second half of the year Martin Audio announced the launch of the TORUS constant curvature array series for use in both live sound and installed sound for throws of up to 30 metres, applying core Martin Audio IP to this new market sector for the brand.

Alongside TORUS, and in support of all users, Martin Audio unveiled the company's first truly 3D system design software – Display3 - a sound system design tool allowing users to import complex 3D renderings from SketchUp and map the coverage of a sound system as a heat map, clearly displaying the coverage of sound to the client. This is of use to all sound system designers, and it felt particularly apt to be offering rental partners a free design tool allowing them to better understand the performance of a sound system as live sound began to return in the second half of 2021.

FY21 saw a strong performance from the team, carefully managing cost and rebuilding the sales channels through COVID-19. This was alongside bringing the Optimal Audio brand to market and supporting the

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[2] Comprising earnings adjusted for interest, taxation, depreciation, amortisation, goodwill impairment and adjusting items.

#WeMakeEvents campaign. Additionally, Martin Audio was honoured with a Queens Award for Enterprise in Innovation this year for our Wavefront Precision optimised line arrays.

Optimal Audio:
Optimal Audio offers a one-stop solution of control, amplification and loudspeakers for small to medium-sized commercial installations, with a focus on supporting multi-zone venues. The portfolio provides a streamlined product offering working seamlessly together to deliver high-quality sound that is easy to install and can be operated by anyone, not just engineers. There is currently nothing else at this price point on the market which has the functionality and versatility to allow such a quick and simple setup. Alongside its own dedicated staff, a number of colleagues from across the Group – most notably within Martin Audio – helped to bring Optimal Audio to fruition with the long-term ambition that the brand will have its own distinct team. Feedback from the commercial install community has been very positive, with a number of premier distributors and system integrators signing on shortly after public launch.

Sequential:
Sequential is a premium synthesiser maker and has been a leading force in the resurgent popularity of analogue synthesisers over the last decade. They are a mainstay of performing and recording artists and can be seen and heard on countless stages and recordings. Sequential also brings the first US-based research and development team into the Group.

The Sequential portfolio of high-end analogue synthesisers perfectly complements the Group's existing Novation brand of synthsesisers: greatly expanding the number of solutions we have for professional musicians looking for new ways to enhance their sonic palette. Sequential's product offerings are deeply rooted in the history of synthesisers, with a number of modern-day versions of classic instruments known and coveted by professional musicians. The acquisition has been warmly received by the industry and performed well and to expectations in the four months since becoming part of the Group.

Routes to market:

The Group utilises a multi-pronged approach to market, including brick and mortar shops, e-tail focused resellers, system integrators, rental companies, distributors and our own direct-to-end user e-store. We continue to invest in more people in local regions, allowing us to service our resellers and customers locally and in their own language. Additionally, the Group has reaped benefits from having the major regions handle their own demand generation and marketing collateral, ensuring that our products resonate with the local community and cultures.

Regional review:

I am very pleased to report that once again our success was global, with all major regions and brands reporting strong growth and overall Group gross margin increasing as well.

North America:
North America, including the US and Canada, is still our biggest market and accounts for 43% of total Group revenue. This past year, North America grew by 47%, which included a full year of Martin Audio and four months of Sequential. On an organic[3] basis, North America revenue was up 46% year over year, with all brands experiencing strong growth. With circa 60 employees now in North America across sales, marketing, tech support and R&D, our North America operations continue to grow. Effective from 1 September 2021, we have consolidated all our individual business units under one company: Focusrite Group US. Under this umbrella, we will be able to leverage the talent and scale of the individual brands' presence in North America to provide lift for the entire Group efforts in the region. This will include cross-selling of the various brands utilising the skills and relationships of each sales member, and the scale of our tech support teams to provide more coverage to all brands, as well as more unified marketing efforts and scalable back-office functions.

Europe, Middle East and Africa ('EMEA'):
Our European operations continue to grow, with dedicated offices in the UK and Berlin. Additionally, last year saw the Group move to a new distribution strategy for the UK and Germany: ADAM Audio, with their local German team, began distributing FAEL products for Germany. Likewise, the FAEL UK team took over distribution of ADAM Audio products in the UK. Both changes netted considerable growth in the brands for

[3] The organic constant currency growth rate is calculated by comparing FY21 revenue to FY20 revenue adjusted for FY21 exchange rates and the impact of acquisitions

these respective regions. Overall, EMEA accounted for 40% of Group revenue last year. EMEA Group revenue grew 23% year over year, with all brands reporting growth; organic[4] growth was 15%.

Rest of World ('ROW'):
The ROW region comprises Asia Pacific ('APAC') and Latin America ('LATAM'). Overall ROW represents 17% of the Group's revenue and grew by 32% year on year; organic[4] growth was 25%.

Latin America continues to be a region where the Group invests resources to get closer to the customer. The team, located throughout Mexico and Brazil, is focused on all demand generation and reseller/distribution relationships for the various countries. Marketing materials, seminars, social media and artist relationships are managed locally, ensuring that our products resonate well with the local artist and audio community. The net result for these efforts has shown another strong year for Latin America, growing 59% year over year.

Like Latin America, the APAC region has seen increased focus and investment from the Group. With offices in Hong Kong and Australia supporting demand generation, account management and customer support, the APAC region has grown into a structure that will support the many regional markets in the territory and allows for future expansion as we look to increase our presence in areas with high growth potential. For this past year, the APAC region experienced 28% growth year over year.

Summary and outlook

Since the year end, demand for the vast majority of our Group products has remained strong, and those sectors negatively impacted by COVID-19 are showing ongoing signs of recovery. All the Group's acquisitions are settling in well, numerous cross business initiatives have already been completed and many more are slated to occur later this year, the benefit of which we expect in the latter part of FY22 and into FY23. Our roadmap across all the brands remains robust, with many new product introductions planned to occur later in FY22. Accordingly, we are now cautiously optimistic about the prospects for modest revenue growth in the current year.

Our growth strategy continues to pay off; providing focus and clarity on where we should invest and deploy our resources. This focus has been a crucial element in enabling us to navigate through the myriad of macroeconomic and pandemic-related issues we have encountered across this past year. Whilst there remains considerable opportunity for operational leverage across the Group as revenue increases, in FY22 operating costs will increase to reflect current tightness in supply chains, travel resuming and our intention to increase investment, where appropriate, in order to fuel future growth in the business.

Our teams have worked passionately and diligently through these continuing uncertain times and delivered impressive financial and operational results for our investors. We look forward to another year of innovation and expansion.

Tim Carroll
Chief Executive Officer
15 November 2021

[4] The organic constant currency growth rate is calculated by comparing FY21 revenue to FY20 revenue adjusted for FY21 exchange rates and the impact of acquisitions

Financial Review

Overview

Overall the Group has had a highly successful year, delivering impressive revenue growth of 34%, adjusted EBITDA[5] growth of 67%, and 75% in adjusted diluted earnings per share (EPS)[6].

Income statement

	2021 £m Adjusted	2021 £m Adjusting items	2021 £m Reported	2020 £m Adjusted	2020 £m Adjusting items	2020 £m Reported
Revenue	**173.9**	**-**	**173.9**	130.1	-	130.1
Cost of sales	**(89.8)**	**-**	**(89.8)**	(70.2)	-	(70.2)
Gross profit	**84.1**	**-**	**84.1**	59.9	-	59.9
Administrative expenses	**(42.7)**	**(5.6)**	**(48.3)**	(36.9)	(15.1)	(52.0)
Operating profit	**41.4**	**(5.6)**	**35.8**	23.0	(15.1)	7.9
Net finance cost	**(0.8)**	**-**	**(0.8)**	(0.9)	-	(0.9)
Profit before tax	**40.6**	**(5.6)**	**35.0**	22.1	(15.1)	7.0
Income tax expense	**(6.9)**	**0.2**	**(6.7)**	(2.9)	-	(2.9)
Profit for the period	**33.7**	**(5.4)**	**28.3**	19.2	(15.1)	4.1

Revenue

Revenue for the Group grew 34% from £130.1 million to £173.9 million; and after adjusting for acquisitions and constant currency this represents an organic growth of 28%. In FY21 Martin Audio contributed a full 12 months compared to just eight months in FY20. Sequential was acquired at the end of April 2021 and FY21 includes four months of revenue contribution.

The Euro average exchange rate was €1.14 (FY20: €1.14). The USD weakened from $1.27 in FY20 to $1.36 in FY21. This has reduced revenue by £3 million but is neutral at a gross profit level as the majority of cost of sales are also charged in USD.

£m	FY20 Revenue	FY20 Exchange	FY20 Organic[7]	FY21 Revenue	FY21 Acquisition	FY21 Organic[7]	Revenue growth	Organic growth
FAEL	100.7	(3.1)	97.6	**124.4**	**-**	**124.4**	**24%**	**28%**
ADAM Audio	17.4	0.1	17.5	**23.8**	**-**	**23.8**	**37%**	**36%**
Martin Audio	12.0	(0.2)	11.8	**20.4**	**(5.9)**	**14.5**	**70%**	**23%**
Sequential	-	-	-	**5.3**	**(5.3)**	**-**	**-**	**-**
Total	130.1	(3.2)	126.9	**173.9**	**(11.2)**	**162.7**	**34%**	**28%**

Growth of 34% for the full year has slowed since the half year (HY21: 91% reported), in part due to the strong comparators in H2 FY20 during the initial lockdowns, but also due to the supply constraints experienced and widely reported in the second-half of this year, in particular for electronic chips used in many of the Group's products. Whilst our operations teams have secured supply and largely prevented stock outages with our supply partners, this has inevitably been a drag on our second half results and we expect this to continue throughout at least the first half of next financial year.

[5] Comprising earnings adjusted for interest, taxation, depreciation, amortisation, goodwill impairment and adjusting items

[6] Adjusted for amortisation of acquired intangible assets, goodwill impairment and other adjusting items

[7] The organic constant currency growth rate is calculated by comparing FY21 revenue to FY20 revenue adjusted for FY21 exchange rates and the impact of acquisitions

The FAEL segment comprises the products used in the recording and broadcasting of music or voice. The primary ranges are Scarlett and Clarett, our biggest selling products. In this segment, revenue increased by 24% to £124.4 million (FY20: £100.7 million), driven by ongoing strong demand across our user base.

ADAM Audio makes studio monitors of the type used by many of the Group's customers. Revenue has grown by 37% in the year to £23.8 million (FY20: £17.4 million), with demand remaining strong across the range and particularly for the more competitive T series monitors.

Martin Audio has returned to growth in the second half of the year, as live sound begins to return to pre-COVID-19 levels. Growth for the full year was 70%, and on an organic basis 23%, with revenue of £20.4 million for 12 months, compared to £12.0 million for eight months in FY20.

Sequential was acquired at the end of April 2021 and had revenue in the period of £5.3 million.

	FY20 Revenue	FY20 Exchange	FY20 Organic[8]	**FY21 Revenue**	**FY21 Acquisition**	**FY21 Organic[8]**	**Revenue growth**	**Organic growth**
North America	50.8	(2.8)	48.0	**74.6**	**(4.6)**	**70.0**	**47%**	**46%**
EMEA	56.5	0.8	57.3	**69.3**	**(3.6)**	**65.7**	**23%**	**15%**
Rest of the World	22.8	(1.2)	21.6	**30.0**	**(3.0)**	**27.0**	**32%**	**25%**
Total	130.1	(3.2)	126.9	**173.9**	**(11.2)**	**162.7**	**34%**	**28%**

All the major geographic regions grew for each of the major product categories year on year. North America represents 43% of the Group's revenue and grew at 47% (organic: 46%) to £74.6 million and is now the largest region for the Group. Within this region, FAEL grew at 43% for the year, despite demand in the second half constrained by supply. Martin Audio saw markets begin to open and reported growth of 73% for the second half of the year.

EMEA, which represents 40% of Group revenue, grew by 23% (organic: 15%) to £69.3 million. This growth was led by ADAM Audio products at 35% for the year, which were less impacted by the components shortage than Focusrite, which grew at 12% for the year.

The ROW comprises mainly Asia and South America and represents the remaining 17% of Group revenue. Revenue in ROW grew by 32% (organic: 25%). APAC grew at 28% year over year and was particularly strong for Martin Audio, with 76% growth across the year due to strong demand in the installed sector. Investments in sales and marketing delivered growth of 58% in Latin America.

Segment profit
Segment profit is disclosed in more detail in note 8 to the Group's financial statements 'Business segments'. The revenue is compared with the directly attributable costs to create a segment profit. The only major change has been the inclusion of Sequential upon acquisition.

Gross profit
In FY21, the gross margin was 48.4%, up from 46.0% in FY20, which was an increase from 42.2% in FY19. This steady increase is the result of several short and long-term factors. FY21 includes the one-off benefit of a refund of US duty of £1.5 million, following a reassessment of duty codes in 2020.

Historically there have been a number of factors at play. One factor is routes to market, with more products being sold either directly to dealers rather than distributors or directly to the consumer. Over the long term the change in business mix, with the removal of the lower margin distribution business and the growth of the higher margin ADAM Audio business at approximately 58% has also been another structural factor. Focused cost and price management, reducing royalties and tariffs, and management of margin to get the best value within the reseller channel are other longer-term factors. Going forward the Group is mindful of the impact of components shortages and increased freight charges on future revenue and underlying gross margin.

[8] The organic constant currency growth rate is calculated by comparing FY21 revenue to FY20 revenue adjusted for FY21 exchange rates and the impact of acquisitions.

Administrative expenses
Administrative expenses consist of sales, marketing, operations, the uncapitalised element of research and development and central functions such as legal, finance and the Group Board. These expenses were £48.3 million, down from £52.0 million last year. These costs include depreciation and amortisation of acquired intangible assets, £4.0 million (FY20: £3.0 million), a goodwill impairment in FY20 of £10.2 million relating to Martin Audio and adjusting items of £1.6 million (FY20: £1.9 million), which are explained below in the adjusting items section. Excluding these items, administrative costs were £42.7 million (FY20: £36.9 million), an increase of £5.8 million over the prior year.

Acquisitions contributed to this increase with the annualisation of Martin Audio, contributing £1.6 million and the inclusion of Sequential a further £1.0 million. In addition, the Group has invested in IT systems to provide secure and scalable platforms to enable teams working at home for much of the year. To support the growth of the Group we expect this investment to continue to strengthen our IT controls and allow teams across our brands to collaborate effectively on new projects. Offsetting these increases were COVID-19 related savings of approximately £2 million due to lower travel costs and an almost complete lack of trade shows during the period. These costs are expected to return as markets reopen.

EBITDA[7]
EBITDA is a non-GAAP measure but it is widely recognised in the financial markets and it is used within the Group as the basis for some of the incentivisation of senior management. Adjusted EBITDA increased from £28.6 million in FY20 to £47.5 million in FY21, an increase of 67% (see table below).

	2021 £m Adjusted	**2021 £m Adjusting items**	**2021 £m Reported**	2020 £m Adjusted	2020 £m Adjusting items	2020 £m Reported
Operating profit	**41.4**	**(5.6)**	**35.8**	23.0	(15.1)	7.9
Add – amortisation of intangible assets	**4.1**	**4.0**	**8.1**	3.7	3.0	6.7
Add – depreciation of tangible assets	**2.0**	**-**	**2.0**	1.9	-	1.9
Add – goodwill impairment	**-**	**-**	**-**	-	10.2	10.2
EBITDA[9]	**47.5**	**(1.6)**	**45.9**	28.6	(1.9)	26.7

Depreciation and amortisation
Depreciation of £2.0 million (FY20: £1.9 million) is charged on tangible fixed assets on a straight-line basis over the assets' estimated useful lives. Amortisation is mainly charged on capitalised development costs, writing-off the development cost over the life of the resultant product. Development costs related to an individual product are written-off over a period up to three years for Focusrite and Novation, up to eight years for ADAM Audio and up to 11 years for Martin Audio, reflecting the different lifespans of the products. Normally, the capitalised development costs are slightly greater than the amortisation, reflecting the continued investment in product development in a growing group of companies.

During FY21, the capitalised development costs were £4.9 million (FY20: £4.6 million), compared with the amortisation of £3.5 million (FY20: £3.0 million). In FY21 the Group's engineering teams refocused on meeting demand and then supply constraint issues, and as a result direct investment into new products decreased as a percentage of revenue. This is expected to recalibrate in FY22 back to historic levels, as the Group's R&D teams build out the future product roadmap, leveraging teams across all the Group brands.

Adjusting items
In FY21 the Group acquired Sequential with associated acquisition costs relating to the transaction of £0.7 million. In addition, as part of the acquisition price, the Group has agreed to pay employee bonuses in relation to agreed gross profit targets to December 2022; £0.8 million of adjusting item costs has been included for these bonuses, which are expected to increase pro rata in FY22. A further £0.1 million of employee-related costs associated with restructuring have also been included in adjusting costs in FY21.

[9] EBITDA is defined as earnings before tax, interest, depreciation, amortisation and goodwill impairment. The items treated as adjusting items are explained in note 6.

In FY20 the acquisition of Martin Audio had associated acquisition costs totalling £1.7 million. Adjusting items also include amortisation of the intangible assets from acquisitions of £4.0 million (FY20: £3.0 million). This has increased due to the inclusion of amortisation on the Sequential brands and is expected to increase next year due to annualisation. For further explanation please see note 15 to the Group's financial statements.

In FY20, at the height of the pandemic, the Group reassessed the £12.6 million of goodwill relating to the acquisition of Martin Audio. Taking into consideration the impact of the consequential lockdowns on the industry and the uncertainty over the impact on future margins, and despite a clear belief that the live sound market would recover in the foreseeable future, the Board recognised an impairment of £10.2 million. This has been reassessed at the current year end, and no further impairment is considered necessary, with Martin Audio returning to growth in H2 FY21 and performing in line with expectations.

Foreign exchange and hedging
Euro exchange rates have been consistent over the last year, with more volatility in the Dollar rates.

Exchange rates	**2021**	2020
Average		
USD:GBP	**1.36**	1.27
EUR:GBP	**1.14**	1.14
Year end		
USD:GBP	**1.38**	1.34
EUR:GBP	**1.12**	1.12

The average USD rate has weakened from $1.27 to $1.36. The USD accounts for over 50% of Group revenue but over 70% of cost of sales, so this has decreased revenue but is neutral in terms of gross profit.

The Euro comprises approximately a quarter of revenue but little cost. The Group has continued entering into forward contracts to convert Euro to GBP. The policy adopted by the Group is to hedge approximately 75% of the Euro flows for the current financial year (year ended August 2022) and approximately 50% of the Euro flows for the following financial year (FY23). In FY20, approximately three-quarters of Euro flows were hedged at €1.11, and the average transaction rate was €1.14, thereby creating a blended exchange rate of approximately €1.12. In FY21, the equivalent hedging contracts were at €1.11, again close to the transactional rate of €1.14 and so creating a blended exchange rate of €1.12.

Elsewhere, within finance income and finance costs, there is the interest paid on the revolving credit facility.

Corporation tax
Historically, the effective corporation tax rate as a proportion of profit before tax has been 10-12% due largely to enhanced tax relief on development costs. In FY20, the corporation tax charge was £2.9 million on reported profit before tax of £7.0 million; at an underlying level the effective tax rate was 13.3% on adjusted profit before tax of £23.0 million.

In FY21, the corporation tax charge totals £6.7 million on reported profit before tax of £35.0 million, an effective tax rate of 19.3%. Allowing for adjusting items, the effective tax rate is 17.0% on adjusted profit before tax of £40.6 million. This increase in effective tax rate is due to the Group moving to the Research and Development Expenditure Credit ('RDEC') basis of relief in which the Group receives smaller credit to operating costs and the profit is then taxed at the headline rate (19% in the UK). Previously to this, the Group was able to claim relief for research and development in the UK as a small or medium-sized enterprise ('SME').

Moving forward we expect the effective tax rate to remain closer to the UK headline rate of 19%, increasing to 25% in April 2023 in line with the proposals outlined by the Chancellor.

Earnings per share
The basic EPS for the year was 48.8 pence, up 587% from 7.1 pence in FY20. This increase is due to the strong growth in operating profits and the impact of the goodwill impairment of £10.2 million in profits in FY20. The more comparable measure of the growth of the trading profits including the dilutive effect of share options, is the adjusted diluted EPS. This grew to 57.5 pence, up 75% from 32.8 pence in FY20.

	2021	2020	Growth

	pence	pence	
Basic	**48.8**	7.1	587%
Diluted	**48.2**	7.0	589%
Adjusted basic	**58.2**	33.2	75%
Adjusted diluted	**57.5**	32.8	75%

More information on the adjustments included to calculate adjusted basic and adjusted diluted EPS is in note 9 of the financial statements.

Balance sheet

	2021 **£m**	2020 £m
Non-current assets	**62.8**	52.3
Current assets		
Inventories	**20.8**	19.4
Trade and other receivables	**16.3**	18.0
Cash	**17.3**	15.0
Current liabilities	**(25.6)**	(26.0)
Non-current liabilities	**(7.3)**	(21.8)
Net assets	**84.3**	56.9

Non-current assets

The non-current assets comprise: goodwill of £10.1 million, other intangible assets of £49.1 million and property, plant and equipment of £3.6 million. The goodwill of £10.1 million (FY20: £7.9 million) relates to acquisitions as follows: £0.4 million for Novation purchased in 2004, £4.9 million for ADAM Audio purchased in July 2019, £2.4 million for Martin Audio purchased in December 2019 and £2.4 million for Sequential purchased in April 2021.

The other intangible assets of £49.1 million consist mainly of capitalised research and development costs and acquired intangible assets relating to product development and brand. The capitalised development costs have a carrying value of £30.3 million (FY20: £26.0 million). This increase of £4.3 million comprises the excess during the year of capitalised development costs over the amortisation (£1.4 million) and acquired capitalised development costs (consisting of acquired designs and designs in development with a year end net book value of £6.0 million). Approximately 70% of development costs are capitalised and it is intended that they are amortised over the life of the relevant products.

In addition, the remaining intangible assets, totalling £18.8 million (FY20: £14.4 million), include brands acquired as part of the acquisitions, to be amortised over ten years for ADAM Audio, 20 years for Martin Audio and 15 years for Sequential.

Working capital

At the end of the year, working capital was 6.6% of revenue (FY20: 8.8%). In both years this is much lower than the historic norm of approximately 20%. The ongoing substantial increase in demand and the supply constraints seen in the latter half of FY21 have meant that inventory levels have remained low at the year end. Manufacturing capacity has been increased and we believe that supply constraints will ease such that stock will be replenished towards the mid-point of FY22. In addition, the Group has continued to place great emphasis on the timely collection of debts. Consequently, overdue debtors, especially within FAEL, have been very low. Creditors continue to be paid on time.

The working capital at ADAM Audio and Martin Audio has remained broadly stable across the year. ADAM Audio has seen a slight increase in levels of stock in order to support the distribution of Focusrite products, and Martin Audio has seen an increase in the overall level of debtors, reflecting the higher level of sales at the end of FY21 compared to FY20.

Cash flow

	2021 **£m**	2020 £m
Cash and cash equivalents at beginning of year	15.0	14.9
Cash and cash equivalents at end of year	17.3	15.0
Net increase in cash and cash equivalents (per Cash Flow Statement)	**2.3**	**0.1**

Add - equity dividends paid (per Cash Flow Statement)	2.6	2.3
Free cash flow[8]	**4.9**	**2.4**
Add – adjusting item cash outflows:		
Acquisition of subsidiary (net of cash acquired) (per Cash Flow Statement)	13.9	35.3
Bank loan (net of arrangement fee) (per Cash Flow Statement)	11.9	(11.6)
Adjusting items (cash outflow)	0.8	2.1
Underlying free cash flow	**31.5**	**28.2**

[8] Defined as net cash from operating activities less net cash used in investing activities less the amount of the revolving credit facility utilised.

In FY21, the net cash balance at the year end was £17.3 million (FY20: £15 million). The Group also has a £40 million revolving credit facility with HSBC and NatWest due to expire in December 2024, taken on to fund the Martin Audio acquisition in 2019. In April 2021 the Group drew down $10 million (£8 million) of debt to fund the acquisition of Sequential, this has now been repaid, leaving the Group with a net cash position at the end of the year.

During the second half, the strong increase in revenue contributed to both higher profits and lower stock. Therefore, the underlying free cash flow for the full year was £31.5 million (FY20: £28.2 million) leading to a year end net cash position of £17.3 million. Within this, the movement in working capital was an inflow of £1.7 million (FY20: inflow of £13.7 million). With the intended rebuilding of stock within the Group in the next financial year there will be a marked outflow of working capital to return closer to historic levels of 20% working capital compared to revenue. Capital investment this year totalled £7.0 million (FY20: £9.6 million), of this £4.9 million related to capitalised R&D reflecting the Group's ongoing commitment to product development. We expect this to increase in FY22, as we develop further several major new initiatives on our product roadmap.

Dividend
In line with the Group's progressive dividend policy, the Board is proposing a final dividend of 3.7 pence per share (FY20 final dividend: 2.9 pence), an increase of 28%, which would result in a total of 5.2 pence per share for the year (FY20: 4.2 pence). This represents an adjusted earnings dividend cover of 11.1 times (FY20: 7.8 times).

Summary

The Group has again performed well, showing substantial financial improvement despite facing several external headwinds. The ongoing successful integration of Martin Audio and ADAM Audio into the Group has continued, with the launch of the Optimal brand, and the distribution of each other's brands in ADAM Audio and FAEL. The acquisition of Sequential in April 2021 has further added to the Group portfolio of world-leading brands, with plans to support the growth through our common US entity, which caters for all Group brands. Despite the challenges of 2021 the Group has grown significantly and continues to put down strong foundations to support future development.

Sally McKone
Chief Financial Officer
15 November 2021

FORWARD-LOOKING STATEMENTS

Certain statements in this announcement are forward-looking. Although the Directors believe that their expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Consolidated Income Statement
For the year ended 31 August 2021

	Note	2021	2020
		£'000	£'000
Revenue	3	**173,935**	130,141
Cost of sales		**(89,805)**	(70,248)
Gross profit		**84,130**	59,893
Administrative expenses		**(48,355)**	(51,485)
Impairment (loss) on trade and other receivables		**(1)**	(474)
Adjusted EBITDA (non-GAAP measure)		**47,548**	28,565
Depreciation and amortisation		**(6,133)**	(5,530)
Adjusting items for adjusted EBITDA:			
Amortisation of acquired intangible assets		**(4,013)**	(3,013)
Impairment of goodwill on acquisition	10	**-**	(10,200)
Adjusting items	6	**(1,628)**	(1,888)
Operating profit		**35,774**	7,934
Finance income		**48**	36
Finance costs		**(784)**	(945)
Profit before tax		**35,038**	7,025
Income tax expense	7	**(6,759)**	(2,934)
Profit for the period from continuing operations		**28,279**	4,091
Earnings per share			
From continuing operations			
Basic (pence per share)	9	**48.8**	7.1
Diluted (pence per share)	9	**48.2**	7.0

Consolidated Statement of Comprehensive Income
For the year ended 31 August 2021

	Note	2021	2020
		£'000	£'000
Profit for the period (attributable to equity holders of the Company)		**28,279**	4,091
Items that may be reclassified subsequently to the income statement			
Exchange differences on translation of foreign operations		**(726)**	105
Gain on forward foreign exchange contracts designated and effective as a hedging instrument		**445**	459
Tax on hedging instrument		**(85)**	(87)
Total comprehensive income for the period		**27,913**	4,568
Total comprehensive income attributable to:			
Equity holders of the Company		**27,913**	4,568
		27,913	4,568

Consolidated Statement of Financial Position

As at 31 August 2021

	Note	2021	2020
		£'000	£'000
Assets			
Non-current assets			
Goodwill	10	**10,054**	7,882
Other intangible assets		**49,066**	40,374
Property, plant and equipment		**3,646**	4,082
Total non-current assets		**62,766**	52,338
Current assets			
Inventories		**20,749**	19,372
Trade and other receivables		**14,775**	17,744
Cash and cash equivalents		**17,339**	14,975
Current tax asset		**869**	-
Derivative financial instruments		**716**	271
Total current assets		**54,448**	52,362
Current liabilities			
Trade and other payables		**(23,673)**	(23,417)
Other liabilities		**(774)**	(1,018)
Current tax liabilities		**-**	(452)
Provisions		**(1,092)**	(1,094)
Total current liabilities		**(25,539)**	(25,981)
Net current assets		**28,909**	26,381
Total assets less current liabilities		**91,675**	78,719
Non-current liabilities			
Deferred tax		**(5,996)**	(7,772)
Other liabilities		**(511)**	(889)
Provisions		**(1,069)**	(1,519)
Bank loan		**248**	(11,641)
Total non-current liabilities		**(7,328)**	(21,821)
Total liabilities		**(32,867)**	(47,802)
Net assets		**84,347**	56,898
Equity and liabilities			
Capital and reserves			
Share capital		**59**	58
Share premium		**115**	115
Merger reserve		**14,595**	14,595
Merger difference reserve		**(13,147)**	(13,147)
Translation reserve		**(529)**	197
Hedging reserve		**716**	220
EBT reserve		**(1)**	(1)
Retained earnings		**82,539**	54,861
Equity attributable to owners of the Company		**84,347**	56,898
Total equity		**84,347**	56,898

The financial statements were approved by the Board of Directors and authorised for issue on 15 November 2021. They were signed on its behalf by:

Tim Carroll
Chief Executive Officer

Sally McKone
Chief Financial Officer

Consolidated Statement of Changes in Equity
For the year ended 31 August 2021

	Share capital £'000	Share premium £'000	Merger reserve £'000	Merger difference reserve £'000	Translation reserve £'000	Hedging reserve £'000	EBT reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 September 2019	58	115	14,595	(13,147)	92	(152)	(1)	51,827	53,387
Profit for the period	-	-	-	-	-	-	-	4,091	4,091
Other comprehensive income for the period	-	-	-	-	105	372	-	-	477
Total comprehensive income for the period	-	-	-	-	105	372	-	4,091	4,568
Transactions with owners of the Company:									
Share-based payment deferred tax deduction in excess of remuneration expense	-	-	-	-	-	-	-	162	162
Share-based payment current tax deduction in excess of remuneration expense	-	-	-	-	-	-	-	457	457
Shares from EBT exercised	-	-	-	-	-	-	-	252	252
Share-based payments	-	-	-	-	-	-	-	537	537
Shares withheld to settle employees' tax obligations	-	-	-	-	-	-	-	(192)	(192)
Premium on shares issued in lieu of bonuses	-	-	-	-	-	-	-	(22)	(22)
Dividends paid	-	-	-	-	-	-	-	(2,251)	(2,251)
Balance at 1 September 2020	58	115	14,595	(13,147)	197	220	(1)	54,861	56,898
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28,279**	**28,279**
Transfer of reserve	**-**	**-**	**-**	**-**	**-**	**51**	**-**	**(51)**	**-**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**(726)**	**445**	**-**	**(85)**	**(366)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(726)**	**496**	**-**	**28,143**	**27,913**
Shares issued to EBT	**1**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**-**
Transactions with owners of the Company:									
Share-based payment deferred tax deduction in excess of remuneration expense	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**786**	**786**
Share-based payment current tax deduction in excess of remuneration expense	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**690**	**690**
Shares from EBT exercised	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**660**	**661**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**632**	**632**
Shares withheld to settle employees' tax obligations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(739)**	**(739)**
Premium on shares issued in lieu of bonuses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60**	**60**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,554)**	**(2,554)**
Balance at 31 August 2021	**59**	**115**	**14,595**	**(13,147)**	**(529)**	**716**	**(1)**	**82,539**	**84,347**

Consolidated Cash Flow Statement
For the year ended 31 August 2021

	Note	**2021** **£'000**	2020 £'000
Operating activities			
Profit for the financial year		**28,279**	4,091
Adjustments for:			
Income tax expense	7	**6,759**	2,934
Net interest		**736**	909
Loss on disposal of property, plant and equipment		**4**	-
Loss on disposal of intangible assets		**498**	-
Amortisation of intangibles		**8,126**	6,780
Impairment of goodwill		**-**	10,200
Depreciation of property, plant and equipment		**2,022**	1,777
Share-based payments charge		**973**	537
Operating cash flows before movements in working capital		**47,397**	27,228
Decrease in trade and other receivables		**3,533**	3,852
(Increase)/decrease in inventories		**(1,023)**	1,914
(Decrease)/ increase in trade and other payables		**(773)**	7,932
Operating cash flows before interest and tax paid		**49,134**	40,926
Net interest paid		**(311)**	(441)
Income taxes paid		**(9,741)**	(3,539)
Cash generated by operations		**39,082**	36,946
Net foreign exchange movements		**(566)**	(322)
Net cash from operating activities		**38,516**	36,624
Investing activities			
Purchases of property, plant and equipment		**(1,126)**	(3,966)
Purchases of intangible assets		**(5,485)**	(5,649)
Acquisition of subsidiary, net of cash acquired		**(13,948)**	(35,309)
Net cash used in investing activities		**(20,559)**	(44,924)
Financing activities			
Proceeds from loans and borrowings		**7,353**	36,000
Repayments of loans and borrowings		**(19,335)**	(24,000)
Loan arrangement fee		**-**	(372)
Payment of right-of-use liabilities		**(1,057)**	(980)
Equity dividends paid		**(2,554)**	(2,251)
Net cash used in financing activities		**(15,593)**	8,397
Net increase in cash and cash equivalents		**2,364**	97
Cash and cash equivalents at beginning of year		**14,975**	14,878
Cash and cash equivalents at end of year		**17,339**	14,975

Principal Risks and Uncertainties

Effective risk management is a priority for the Group in order to sustain the future success of the business. The Board has overall responsibility for the Group's risk management process but has delegated responsibility for its implementation, the system of internal controls which reduce risk and for reviewing their effectiveness, to the business leaders best qualified in each area of the business.

The risks and uncertainties that the Group faces evolve over time, therefore the business leaders review the risk register in order to monitor key risks, identify emerging risks and update mitigation efforts.

COVID-19
Unsurprisingly, and for a consecutive year, a summary of the risks that COVID-19 poses to the business and the actions being taken feature highly in this risk report.

COVID-19 is changing and has already changed how we view uncertainty due to the unique set of circumstances the pandemic has created. Acting in the face of uncertainty has been a defining theme during the financial year. Against a backdrop of rapidly changing restrictions, short time-frames within which to make decisions and contextual uncertainty, the principal, emerging and operational risk landscape has been re-evaluated in light of the effects of the COVID-19 pandemic.

The Group has been careful to maintain its awareness of uncertainty and not become complacent or hardened in its attitude to the balance between enterprise risk and opportunity in relation to the stress of the situation. Decisions taken have been assessed with regard to liquidity, balance sheet strength and financial forecasts through scenario lenses.

Risk identification and assessment
Risk management is coordinated by the legal team. Each Group company has its own risk register. Each business leader is responsible for updating the risk register for their Group company and for identifying, analysing, evaluating, managing and monitoring the risks and emerging risks in their respective areas. These risks are then evaluated for their significance as a Group-level risk.

The risk register is prepared using consistent risk factors and an impact and likelihood evaluation and includes key controls, mitigating activities and/or controls and action plans in respect of the principal risks which form the basis of the principal risks and uncertainties disclosed in this report.

In light of the COVID-19 pandemic the Group has conducted a wider-ranging view of its risks during the financial year with members of the management team reviewing risks in relation to:
- cyber and data security and the impact of home working;
- disruption to the supply of components and logistics;
- health and safety;
- financial controls;
- business resilience and liquidity levers;
- lessons learned from the Group's response to the first two national lockdowns; and
- business continuity.

As in all sectors, the music industry continues to experience profound and lasting structural changes. The Group has seen a transition away from bricks and mortar retail to online shopping, therefore our efforts to learn new ways to serve customers, collaborate with partners and create value for our shareholders are included in the mitigation plans for each risk.

Approach to risk management
1. Risk identification and assessment 2. Entry into the Group's risk register 3. Regular review and mitigation strategy by business leaders 4. Board review/approval

Assessment of principal risks and uncertainties
The business leaders have carried out a robust assessment of the principal risks and uncertainties facing the Group, including any emerging risks, and those that would threaten its business model, future performance,

solvency or liquidity. The following updates have been made to the principal risks and uncertainties reported in the previous year as a result of this assessment.

- Risks are no longer solely assessed on a potential financial impact but also the effect on the Group's EPS, NPS and reputation;
- Supplier concentration has been transformed into a product supply risk to better reflect the risk that we might be unable to service customer demand or provide products of a suitable quality in today's uncertain world.
- Trust in the Group's brands helps enhance its worldwide reputation for quality and innovation and therefore the Group is enhancing the protection of its intellectual property portfolio so that customers can be assured they are purchasing a genuine product. To support appropriate protections of all intellectual property and other proprietary rights:
    - the Group has hired an experienced intellectual property lawyer who is designing an active programme to protect our intellectual property rights; and
    - a brand protection programme has been solidified in order to identify and tackle trademark and design infringements
- therefore the risk is being mitigated but remains a matter for vigilance;
- The Group recognises that, as with all businesses, it is vulnerable to faceless crimes. Therefore ensuring the security of our customers' data remains a key priority, with action being taken to adopt a Group-level approach for customers to exercise their right of freedoms as data subjects to ensure a consistent level of data security. Learning from cyber incidents is shared across the Group so that any weaknesses in the Group's cyber defences are immediately rectified.
- The Group's approach to ESG reflects the traction it is gaining globally. The Group has appointed a full-time Head of Sustainability and engaged an external sustainability consultancy company that has conducted an ESG materiality review that revealed no red flags. Going forward, the Group will be implementing a series of recommendations that will not only help position the Group as an ESG leader in our industry but also ensure that climate change does not increase as a material threat to the Group.
- In the post-COVID-19 world, attracting and retaining key talent remains critical to the Group's success. Unconscious bias training has been rolled out to ensure that hiring managers bring an equality-lead approach when reviewing potential candidates.
- Whilst not a standalone risk, freight is both more expensive and less available than pre-pandemic. There is an emerging risk that we may be able to produce the goods but not get them to retail. We continue to actively monitor the situation as all businesses are affected and so to mitigate the risk, the Group ensures that our long-standing 3PL partners have visibility of anticipated sea and air freight volumes months in advance, giving us the best probability of securing space from Asia into other global regions.

Principal risk/uncertainty	Mitigation
Business strategy development and implementation As the world emerges from the COVID-19 pandemic, uncertainty remains. Therefore ensuring that the Group's business strategy is attuned to customer requirements and emerging opportunities and is effectively implemented will protect the business. Therefore the Group needs to understand and properly manage strategic risk, taking into account sector-specific risk factors (which differ between the different brands in the business), in order to deliver long-term growth for the benefit of the Group's stakeholders.	• The Group reviews its business strategy on a regular basis through (restrictions permitting) face-to-face meetings to determine what strategies are needed to maximise sales and profit and efficiencies in business operations. • The Executive Directors present the Group's rolling three-year business plan to the Board once a year for review and challenge by the Non-executive Directors. • The varying brands within the business provide geographic and product diversity; coupled with a disciplined approach to sales, budgeting and cost control, the Group ensures the generation of strong profits and cash flow. • Business leaders consider strategic risk factors, wider economic and industry-specific trends that affect the competitive position of its products.
Product innovation The market for the Group's products remains characterised by continued evolution in technology, evolving industry standards, frequent new competitive	• Research and development continues to be one of the Group's largest investments. • Continually reviewing the design and performance of the various product ranges and pushing our designers to keep our products at the cutting edge

product introductions and, particularly in the post-pandemic environment, changes in customer needs. The Group invests in designing and developing products that customers want to buy, at appropriate price points. Failure to meet the design, quality and value expectations will quickly see customers turn away from our products.	of innovation is a key strategy in the Group's resilience. • Teams dedicated to product refreshes have been enlarged and a wide range of research participants provide feedback on test products.
Product Supply Due to the global supply chain issues, risks to our ability to service customer demand are real and present.	• During the past year, the Group has moved to regularly communicating directly with key semi-conductor companies instead of via distributors which has helped to ensure the availability of materials to the Group. • The Group has provided an extended production forecast of 12 months (rolling) to our manufacturing partners and key material suppliers which has enabled them to better manage the sourcing of materials and fulfil orders. • Where possible, the Group makes spot purchases of components in order to ensure their future availability.
Customer-facing systems By customers, the Group refers to its reseller and distributor partners on whom it depends to take products to market. The Group's performance depends on the high-quality engagement of those customers, and on their ability to drive and service customer demand, particularly in markets where the Group operates via a single distributor or has large individual reseller customers. There is a risk that the business fails to adopt and/or make effective and efficient use of new software, hardware and mechanisation to provide its customers with service levels that allow them to meet or exceed end users' expectations. These systems, software and platforms are ever changing, as technology evolves. A failure of, or breakdown in, the relationship with a key reseller or distributor, or even the failure of a major customer of a distributor, could significantly and adversely affect the Group's business.	• The Group has strengthened its documented arrangements with its resellers and distributors to ensure they are holding sufficient stock levels and are motivated to promote the brands. • The Group works with its resellers to incentivise them to be able to offer a comparable in-store and online experience for end users. • The Group has continued to increase its direct-to-market offering and plans for further expansion in the coming year. • Continued investment in the Group's e-commerce platform has led to growth in the Group's direct-to-consumer offering • There is also continual monitoring of performance of the Group's Net Promoter Score, with a particular focus by the customer support team on improving the user experience. • The Group also works effectively with influencers to promote its brands.
Information security, data privacy, business continuity and cyber risks The unencumbered availability and integrity of the Group's IT systems is ever critical to successful trading. The Group continues to invest heavily in order to ensure a system that can record and process substantial volumes of data, prevent obsolescence and maintain responsiveness. The threat of a cyber security breach or an unauthorised or malicious attack is an ongoing and increasingly sophisticated risk that the Group believes would negatively impact its reputation. Similarly, the inadvertent processing of customer or employee data in a manner deemed unethical or unlawful could result in significant financial penalties, remediation costs, reputational damage	• The Group's Privacy Council and Committee are now well established and are effective in the operation of privacy protection. • The Group has adopted a global approach for its customers to exercise their rights of freedom as data subjects. This process is handled by our customer support team who respond to requests as to the data the Group processes on their behalf. • The Group has run several spoof exercises to promote awareness of the increasingly sophisticated methods of attack cyber criminals deploy. • Systems vulnerability and penetration testing continues to be carried out regularly by both internal and external resources to ensure that data is protected from corruption or unauthorised access or use

<table>
<tr>
<td>and/or restrictions on our ability to operate. The Group is noticing:
a changing attitude by global users towards their data and how it is used;
increasingly complex and fast-evolving data protection laws and regulation; and
rapid technological advances delivering an enhanced ability to gather, draw insight from and monetise personal data.</td>
<td>Critical systems backup facilities and business continuity plans are reviewed and updated regularly
IT risks are managed through the application of internal policies and change management procedures as well as enshrining security requirements and service level agreements on third-party suppliers in contractual documentation
The Group's data protection and information security policies are mandatory reading and are kept under regular review
The Group has prepared a roadmap to address gaps between current and target risk exposures
Each major incident that arises around the Group is followed by a Major Incident Report and submitted to the Board for review. Transparency in IT operations is key to protecting the Group from risks and accountability for the remediation of risk
Major Threat reports are generated as threats to the Group emerge. They are submitted to the Board for review</td>
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<tr>
<td>Intellectual property

The Group sees the protection of its intellectual property and proprietary rights as a key strength in protecting the Group's brand and maintaining end users' trust in our products.</td>
<td>The Group has an ongoing programme to support appropriate protections of all intellectual property and other proprietary rights.
The Group is conducting trademark searches before the launch of new products in order to reduce the risks of infringing third-party rights, and is applying for trademark, design and/or patent protection in order to obtain timely and appropriate protection of its IP assets.
The Group has started a brand protection programme in order to identify and tackle trademark and design infringements, and it documents the terms on which it will allow the use of its registered rights.
The Group has also hired an experienced intellectual property lawyer who is designing an active programme to protect our intellectual property rights and is in the constant process of raising awareness within the Group on the importance of protecting the Group's IP assets, and not to infringe intellectual property rights from third parties.</td>
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People People are critical to the Group's ability to meet the needs of its customers and end users and achieve its goals as a business. This requires the retention of senior managers and technical personnel as well as on our ability to attract, motivate and retain highly qualified people.	• Making Focusrite a great place to work remains central to the Group's strategy. • The Group actively promotes diverse and inclusive thinking in its recruitment process, shying away from using automated recruitment software and instead having hiring managers consider each application individually. • The Group is implementing ways of sharing people resources across the Group, allowing for flexibility in employment and standardisation of the benefits offered across the Group. • The Board continues to consider the development of senior management to ensure there are opportunities for career development and promotion. • The Remuneration Committee reviews Executive Director and senior management remuneration at least annually and formulates packages to retain and motivate these employees, including long-term incentive schemes. • The Nomination Committee considers and reviews the skills, diversity, experience and succession planning of the Board.
Climate change The impact of climate change is integral to the Group's risk management approach. Climate change is leading to increasing frequency of severe weather e.g. drought, high rainfall, flooding and heatwaves. Failure to deliver on climate change initiatives, particularly around the reduction in the use of energy and carbon within required timescales, will have medium and long-term climate change risks to residents, businesses and infrastructure.	• The Group will create an action plan following the conclusion of the planned Climate Materiality Assessment to demonstrate our climate leadership and values and define good environmental practice. • In the next financial year we will work across individual business units to measure scope 3 emissions, and define a roadmap to reduce our carbon footprint as well as work with our teams and external partners on the impact we can have on this important issue.

Notes to the Final Results

For the year ended 31 August 2021

These condensed preliminary financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 August 2021 have been prepared using accounting policies consistent with International Accounting Standards Board ('IASB') in conformity with the requirements of the Companies Act 2006.

The information contained within this announcement has been extracted from the audited financial statements which have been prepared in accordance with International Accounting Standards ('IAS') in conformity with the requirements of the Companies Act 2006. They have been prepared using the historical cost convention except where the measurement of balances at fair value is required.

The Board of Directors has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence and meet their liabilities as they fall due for a period of at least 12 months from the approval of these financial statements ('the going concern period'). Accordingly, the financial statements have been prepared on a going concern basis.

The Group meets its day-to-day working capital requirements from cash balances and a revolving credit facility of £40.0 million which is due for renewal in December 2024. The availability of the revolving credit facility is subject to continued compliance with certain covenants.

The Directors have prepared projected cash flow forecasts for the going concern period. These forecasts include a severe but plausible downside scenario, which includes potential impacts from risks identified from the business including

- Loss of or reduction in key revenue streams,
- Component shortages extending further into the future than budgeted,
- Loss of key distribution contracts.

The base case covers the period to February 2023 and includes demanding but achievable forecast growth. The forecast has been extracted from the Group's FY22 budget and three-year plan for the period from September 2022 to August 2024. Key assumptions include:

- Future growth assumptions consistent with those recently achieved by the business, reduced for estimated component shortages and adjusted for the annualisation of Sequential's results.
- Free cash flow as a percentage of revenue in line with historic trends,
- Continued investment in research and development in all areas of the Group,
- Dividends consistent with the Group's dividend policy,
- No additional investment in acquisitions in the forecast period.

Throughout the period the forecast cash flow information indicates that the Group will have sufficient cash reserves. No drawdown from the facility would be required.

The Directors' have modelled a severe but plausible downside scenario which combines the three risks identified above, including the Group experiencing all three downsides simultaneously. This model assumes that purchases of stock would, in time, reduce to reflect reduced sales, if they occurred, and the Group would respond to a revenue shortfall by taking reasonable steps to reduce overheads within its control. In this scenario, a draw down from the loan facility of around £3.5 million for a period of 6 months is expected, however the Group would be expected to remain well within the terms of its loan facility with the leverage covenant (net debt to adjusted EBITDA) in the period not exceeding -0.2x compared to the maximum of -2.5x.

Separately, the Directors estimate that if the Group were to experience a shortfall in revenue of greater than 60% permanently from the start of the forecast period, debt and leverage could rise to the upper limits allowed by the banking covenants by August 2022. This scenario includes consequential reductions in the purchases of stock and overheads. As an additional measure, the Directors could also cancel the dividend. However, the Directors' view is that any scenario of a revenue shortfall of greater than the severe yet plausible scenario above is not realistic.

In reality, the Group is still experiencing high levels of consumer registrations and customer demand, and therefore the high levels of revenue have been maintained since year end. This is evidenced by improvements in the Group's net cash position which has increased from the £17.3 million reported at year end to approximately £21.9 million at 1 November 2021. Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 August 2021 or 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the registrar of companies, and those for 2021 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Availability of audited accounts:
Copies of the 31 August 2021 audited accounts will be available on 15 November 2021 on the Company's website (www.focusriteplc.com/investors) for the purposes of AIM Rule 26 and will be posted to shareholders in due course.

1 ALTERNATIVE PERFORMANCE MEASURES ('APMS')

The Group has applied certain alternative performance measures ('APMs') within these financial results. The APMs presented are used in discussions with the Board, management and investors to aid the understanding of the performance of the Group. The Group considers that the presentation of APMs allows for improved insight to the trading performance of the Group. The Group consider that the term 'Adjusted' together with an adjusting items category, best reflects the trading performance of the Group.

Adjusting items are those items that are unusual because of their size, nature or incidence, and are applied consistently year on year. The Directors consider that these items should be separately identified within their relevant income statement category to enable full understanding of the Group's results. Items included are acquisition costs, earnout payable to employees and restructuring costs.

The following APMs have been used in these financial results:

- Organic growth - the organic constant currency growth rate is calculated by comparing FY21 revenue to FY20 revenue adjusted for FY21 exchange rates and the impact of acquisitions.
- Adjusted EBITDA - comprising earnings adjusted for interest, taxation, depreciation, amortisation and adjusting items. This is shown on the face of the income statement.
- Adjusted operating profit – operating profit adjusted for adjusting items which comprise costs relating to the acquisition of Sequential LLC (£0.7 million), earnout payable to employees of Sequential (£0.8 million), restructuring of the US (£0.1 million) and amortisation of acquired intangibles (£4.0 million).
- Adjusted earnings per share ('EPS') – earnings per share excluding adjusting items.
- Free cash flow - defined as net cash from operating activities less net cash used in investing and financing activities, excluding dividends paid.
- Underlying free cash flow – as free cash flow but adding back adjusting item cash flows relating to repayment of RCF drawn down for acquisitions.
- Net debt – comprised of cash and cash equivalents, overdrafts and amounts drawn against the RCF including the costs of arranging the RCF.

2 ACQUISITION OF A SUBSIDIARY

On 26 April 2021 the Group completed the acquisition of 100% of the share capital of Sequential LLC. The total consideration paid was $20 million (£14.5 million) on completion, with a potential for $4 million further. This $4 million has been classed as employee remuneration rather than contingent consideration as it is payable directly to employees and is subject to their continuing employment with Sequential until December 2022. The acquisition was funded through a combination of existing cash resources and an £8 million drawdown on the existing revolving credit facility of £40 million with HSBC and NatWest. This borrowing was repaid before year end.

Sequential is headquartered in San Francisco, California in the historically and culturally rich North Beach neighbourhood from where it continues to operate and is led by legendary instrument designer and Grammy winner Dave Smith, who founded Sequential Circuits in 1974.

The Sequential portfolio of high-end analogue synthesisers dramatically expands the footprint the Group has with its Novation branded instruments, offering more premium priced solutions for electronic artists. By extending the Group's business into new products and markets, which complement its existing offerings, the acquisition is strategically aligned with the Company's previously communicated aims of growing the core customer base, expanding into new markets and increasing lifetime value for customers.

The Group also sees the possibility of future synergies between the Sequential and Novation's R&D teams to bring new innovative products to market that will further the Group's mission of 'removing barriers to creativity'.

For the four-month period between the acquisition and 31 August 2021, Sequential contributed revenue of £5,299,000 and a profit before tax of £1,314,000 to the Group. If the acquisition had occurred on 1 September 2020, management estimates that Sequential's revenue would have been £18,158,000 and profit before tax for the year would have been £4,769,000. In determining these amounts management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 September 2020.

Acquisition-related costs

The Group incurred acquisition-related costs of £716,000 on legal fees and due diligence costs. These have been included in adjusting item costs to give investors a better understanding of the costs related to the acquisition of Sequential. Additionally, because of their size, nature and the fact they vary from acquisition to acquisition, the Group considers it a better reflection of the trading performance of the Group to show these separately.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired, and liabilities assumed at the date of acquisition:

Recognised values on acquisition	**£'000**
Brand	**6,070**
Developed technology	**5,961**
Technology in development	**181**
Other intangible assets	**12,212**
Property, plant and equipment	**23**
Cash	**547**
Inventories	**354**
Trade and other receivables	**518**
Trade and other payables	**(1,556)**
Net identifiable assets and liabilities at fair value	**12,098**
Goodwill recognised on acquisition	**2,397**
Consideration paid and accrued	**14,495**

No deferred tax liability arises on the acquisition of Sequential as the Group is anticipating full tax relief on amortisation of goodwill and intangibles within the US.

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	**Valuation technique**
Property, plant and equipment	Cost approach
Intangible assets- developed technology and technology in development	Income approach (multi-period excess earnings method) Key assumptions used include: • Ongoing development of new products • Operating margins are in line with existing margins for that operation • Discount rates of 16.5% Useful economic life ranges from 10 to 15 years
Intangible assets- brand	Income approach (relief from royalty method) Key assumptions used include: • Revenue forecasts have been allocated to individual brands • Royalty rates of 2% to 5% applied • Discount rate of 15.5% Useful economic life ranges from 10 to 15 years
Inventories	Cost approach

Fair values measure on a provisional basis

Sequential was acquired four months prior to the end of this reporting period. If new information is obtained within one year of the date of acquisition about the facts and circumstances that existed at the date of acquisition that identifies adjustments to the above amounts or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill

The goodwill is attributable to:

- the skills and technical talent of the Sequential workforce;
- worldwide reputation based on patent design and technological innovation;
- alignment to the Group's existing customer base;
- strong strategic fit to grow the core customer base; and
- expand into new markets and increase lifetime value for customers.

Intangible assets sensitivity analysis

In assessing the estimated useful life of the intangible assets, management considered the sensitivity in the estimated life of the brand and patent development. The following table details the sensitivity to a one-year increase and decrease in the amortisation period, and ultimately reflecting the impact on the net profit (or loss).

Amortisation is calculated based on the constant that brand is recognised at cost of £6,070,000, developed technology at £5,961,000 and technology in development at £181,000.

	Brand (Sequential & Prophet)			**Brand (OB6 & OB-X)**		
	14 years	**15 years**	16 years	9 years	**10 years**	11 years
	£'000	£'000	£'000	£'000	**£'000**	£'000
Annual amortisation	413	**395**	379	16	**14**	13
Impact on profit	(18)	**-**	16	(2)	**-**	1

	Developed technology			**Technology in development**		
	14 years	**15 years**	16 years	9 years	**10 years**	11 years
	£'000	£'000	£'000	£'000	**£'000**	£'000
Annual amortisation	423	**397**	375	20	**18**	16
Impact on profit	(26)	**-**	22	(2)	**-**	2

The following table assesses the impact of differing estimated useful lives of products on the valuation of the intangible assets.

	Brand (Sequential & Prophet)			**Brand (OB6 & OB-X)**		
	14 years	**15 years**	16 years	9 years	**10 years**	11 years
	£'000	£'000	£'000	£'000	**£'000**	£'000
Fair value	-	**5,925**	-	-	**145**	-
Impact on valuation	(145)	**-**	145	-	**-**	-

	Developed technology			**Technology in development**		
	14 years	**15 years**	16 years	9 years	**10 years**	11 years
	£'000	£'000	£'000	£'000	**£'000**	£'000
Fair value	-	**5,961**	-	-	**181**	-
Impact on valuation	(36)	**-**	36	-	**-**	-

Based on the above, we concluded that the impact would not be material, and therefore a more detailed sensitivity analysis has not been done.

3 REVENUE

An analysis of the Group's revenue is as follows:

	Year ended 31 August 2021				Year ended 31 August 2020			
	EMEA	**North America**	**Rest of World**	**Total**	EMEA	North America	Rest of World	Total
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Focusrite	37,403	47,200	12,615	97,218	32,128	32,782	11,268	76,178
Focusrite Pro	1,635	2,238	1,004	4,877	1,071	1,625	796	3,492
Focusrite combined	39,038	49,438	13,619	102,095	33,199	34,407	12,064	79,670
Novation	9,242	9,706	3,314	22,262	8,290	7,013	4,080	19,383
ADAM Audio	11,849	8,073	3,943	23,865	8,784	6,352	2,245	17,381
Martin Audio	6,983	4,787	8,628	20,398	4,493	3,089	4,432	12,014
Sequential	2,164	2,629	506	5,299	-	-	-	-
Distribution	16	-	-	16	1,693	-	-	1,693
Total	69,292	74,633	30,010	173,935	56,459	50,861	22,821	130,141

4 BUSINESS SEGMENTS

Information reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance is focused on the main product groups which the Group sells. Similarly, the results of Novation and Ampify also meet the aggregation criteria set out in IFRS 8 Segmental Reporting. The Group's reportable segments under IFRS 8 are therefore as follows:

Focusrite	–	Sales of Focusrite branded products
Focusrite Pro	–	Sales of Focusrite Pro branded products
Novation	–	Sales of Novation or Ampify branded products
ADAM Audio	–	Sales of ADAM Audio branded products
Martin Audio	-	Sales of Martin Audio branded products
Sequential	-	Sales of Sequential branded products
Distribution	–	Distribution of third-party brands including KRK, Stanton, Cerwin-Vega, and sE Electronics (ceased August 2020)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3 of the full Annual Report. Segment profit represents the profit earned by each segment without allocation of the share of central administration costs including Directors' salaries, investment revenue and finance costs, and income tax expense. This is the measure reported to the Board of Directors for the purpose of resource allocation and assessment of segment performance.

Central administration costs comprise principally the employment-related costs and other overheads incurred by the Group. Also included within central administration costs is the charge relating to the share option scheme of £973,000 for the year ended 31 August 2021 (20209: £537,000).

	Year ended 31 August	
	2021	2020
	£'000	£'000
Revenue from external customers		
Focusrite	97,218	76,178
Focusrite Pro	4,877	3,492
Novation	22,262	19,383
ADAM Audio	23,865	17,381
Martin Audio	20,398	12,014
Sequential	5,299	-
Distribution	16	1,693
Total	**173,935**	130,141

Segment profit		
Focusrite	47,798	35,602
Focusrite Pro	2,540	1,916
Novation	7,965	8,458
ADAM Audio	14,040	8,828
Martin Audio	9,471	5,032
Sequential	2,341	-
Distribution	(25)	57
	84,130	59,893
Central distribution costs and administrative expenses	**(46,728)**	(39,871)
Goodwill impairment	**-**	(10,200)
Adjusting items (note 6)	**(1,628)**	(1,888)
Operating profit	**35,774**	7,934
Finance income	**48**	36
Finance costs	**(784)**	(945)
Profit before tax	**35,038**	7,025
Tax	**(6,759)**	(2,934)
Profit after tax	**28,279**	4,091

The Group's non-current assets, analysed by geographical location, were as follows:

	2021	2020
	£'000	£'000
Non-current assets		
North America	**15,104**	760
Europe, Middle East and Africa	**45,277**	49,611
Rest of the World	**2,385**	1,967
Total non-current assets	**62,766**	52,338

Assets held within North America have increased significantly since FY20 due to the acquisition of Sequential.

Information about major customers

Included in revenues shown for 2021 is £53.2 million (2019: £35.4 million) attributed to the Group's largest customer, which is located in the USA. Amounts owed at the year end were £4.2 million (2020: £6.4 million).

5 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	Year ended 31 August	
	2021	2020
	£'000	£'000
Net foreign exchange losses	**333**	427
Research and development costs (excluding costs capitalised)	**2,374**	2,441
Depreciation and impairment of property, plant and equipment	**2,022**	1,777
Amortisation of intangibles	**8,126**	6,690
Impairment of goodwill on acquisition	**-**	10,200
Cost of inventories recognised as an expense	**76,488**	61,419
Staff costs (excluding share-based payments)	**22,138**	17,737
Movement in expected credit loss	**1**	474
Share-based payments charged to profit and loss	**973**	537

6 ADJUSTING ITEMS

The following adjusting items have been declared in the period

	Year ended 31 August	
	2021	2020
	£'000	£'000
Acquisition costs	**716**	1,737
Earnout accrual in relation to acquisition	**788**	-
Restructuring	**124**	151
Adjusting items	**1,628**	1,888
Amortisation of acquired intangible assets	**4,013**	3,013
Impairment of goodwill on acquisition	**-**	10,200
Total adjusting items for adjusted EBITDA	**5,641**	15,101

Acquisition costs in FY21 relate solely to the acquisition of Sequential and the earnout accrual relates to the $4 million classed as employee remuneration rather than contingent consideration. It is payable directly to employees and is subject to their continuing employment with Sequential until December 2022. Restructuring costs relate to the merger of the US-based subsidiaries into one operating company from 1 September 2021.

Acquisition costs in the 12 months to 31 August 2020 included costs of £1,644,000 relating to Martin Audio. Restructuring costs related to the costs of people changes following the ADAM Audio acquisition.

7 TAX

	Year ended 31 August	
	2021	2020
	£'000	£'000
Corporation tax charges		
Over/(under) provision in prior year	**(367)**	75
Current year	**8,099**	3,362
	7,732	3,437
Deferred taxation		
Current year	**(973)**	(503)
	6,759	2,934

Corporation tax is calculated at 19% (2019: 19%) of the estimated taxable profit for the year. Taxation for the US and Germany subsidiaries are calculated at the rates prevailing in the respective jurisdiction.

The tax charge for each year can be reconciled to the profit per the income statement as follows:

	Year ended 31 August	
	2021	2020
	£'000	£'000
Current taxation		
Profit before tax on continuing operations	**35,038**	7,025
Tax at the UK corporation tax rate of 19% (2020: 19%)	**6,657**	1,335
Effects of:		
Expenses not deductible for tax purposes	**615**	2,582
Deferred tax assets recognition	**(1,385)**	-
Other differences	**(28)**	-
R&D tax credit	**-**	(1,219)
Prior period adjustment	**(367)**	75
Effect of change in standard rate of deferred tax	**1,147**	-
Impact of foreign tax rates	**120**	161
Tax charge for the year	**6,759**	2,934

Expenses not deductible relate to the costs of acquiring Sequential LLC.

The prior period adjustment arose as a result of an over-accrual of the tax provision. This was due to the changes in capital allowances not being fully incorporated into the prior year estimate.

Tax credited directly to equity
In addition to the amount charged to the income statement and other comprehensive income, the following amounts of tax have been recognised in equity:

	2021	2020
	£'000	£'000
Share-based payment deferred tax deduction in excess of remuneration expense	**786**	162
Share-based payment current tax deduction in excess of remuneration expense	**690**	457
	1,476	619

The corporation tax debtor of £869,000 (2020: liability £452,000) relates to overpayments to tax authorities throughout the year, as well as an advance made the German tax authorities, in respect of the US reorganisation (discussed in note 11). €469,000 was advanced to the German tax authorities in the form of withholding tax. This is expected to be recoverable and will offset our future tax liability.

The Finance Act 2021 enacted legislation to maintain the current rate of corporation tax at 19%, up until at least the end of tax year ended 31 March 2023. Thereafter, the headline rate of corporation tax will rise to 25%.

8 DIVIDENDS

The following equity dividends have been declared:

	Year to 31 August 2021	Year to 31 August 2021
Dividend per qualifying ordinary share	**5.2p**	4.2p

During the year, the Company paid an interim dividend in respect of the year ended 31 August 2021 of 1.5 pence per share.

On 15 November 2021, the Directors recommended a final dividend of 3.7 pence per share (2020: 2.9 pence per share), making a total of 5.2 pence per share for the year (2020: 4.2 pence per share).

9 EARNINGS PER SHARE ('EPS')

The calculation of the basic and diluted EPS is based on the following data:

	Year ended 31 August	
Earnings	**20210**	2020
	£'000	£'000
Earnings for the purposes of basic and diluted EPS, being net profit for the period	**28,279**	4,091
Adjusting items (note 6)	**5,641**	15,101
Tax on adjusting items	**(165)**	(26)
Total underlying profit for adjusted EPS calculation	**33,755**	19,166

	Year ended 31 August	
	2021	2020
	Number	Number
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS calculation	**57,993**	57,680
Effect of dilutive potential ordinary shares:		

Share option plans	**725**	812
Weighted average number of ordinary shares for the purposes of diluted EPS calculation	**58,718**	58,492

EPS	**Pence**	Pence
Basic EPS	**48.8**	7.1
Diluted EPS	**48.2**	7.0
Adjusted basic EPS	**58.2**	33.2
Adjusted diluted EPS	**57.5**	32.8

The Group presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For diluted EPS, the weighted average number of ordinary shares is adjusted for the dilutive effect of potential ordinary shares arising from the exercise of granted share options.

At 31 August 2021, the total number of ordinary shares issued and fully paid was 58,661,639. This included 554,712 (2020: 359,483) shares held by the EBT to satisfy options vesting in future years. The operation of this EBT is funded by the Group so the EBT is required to be consolidated, with the result that the weighted average number of ordinary shares for the purpose of the basic EPS calculation is the net of the weighted average number of shares in issue (58,488,351) less the weighted average number of shares held by the EBT (495,323). It should be noted that the only right relinquished by the Trustees of the EBT is the right to receive dividends. In all other respects, the shares held by the EBT have full voting rights.

The effect of dilutive potential ordinary share issues is calculated in accordance with IAS 33 and arises from the employee share options currently outstanding, adjusted by the profit element as a proportion of the average share price during the period.

10 GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

	Sequential £'000	**Martin Audio £'000**	**ADAM Audio £'000**	**Novation Digital Music Systems £'000**	**Total £'000**
Cost					
At 1 September 2019	-	-	4,852	419	5,271
Additional goodwill recognised on business combinations	-	12,564	247	-	12,811
At 31 August 2020	**-**	**12,564**	**5,099**	**419**	**18,082**
Additional goodwill recognised on business combinations	**2,397**	-	-	-	**2,397**
Foreign exchange	**-**	-	(225)	-	**(225)**
At 31 August 2021	**2,397**	**12,564**	**4,874**	**419**	**20,254**

	Sequential £'000	**Martin Audio £'000**	**ADAM Audio £'000**	**Novation Digital Music Systems £'000**	**Total £'000**
Carrying amount					
At 1 September 2019	-	-	4,852	419	5,271
Additional goodwill recognised on business combinations	-	12,564	247	-	12,811
Loss on impairment	-	(10,200)	-	-	(10,200)
At 31 August 2020	-	**2,364**	**5,099**	**419**	**7,882**
Additional goodwill recognised on business combinations	2,397	-	-	-	2,397
Loss on impairment	-	-	-	-	**-**
Foreign exchange	-	-	(225)	-	**(225)**

At 31 August 2021	**2,397**	**2,364**	**4,874**	**419**	**10,054**

In note 20 'Other intangible assets' to the Group Financial Statements, there are £3,268,000 of development costs which have not started amortisation. These are projects in development and are considered to be intangible assets that have not yet started amortisation.

The goodwill shown in the table above and intangible assets with indefinite useful life are allocated to the CGUs per the schedule below:

CGUs	**Goodwill** **£'000**	**Intangible assets with indefinite useful life** **£'000**
Focusrite	419	1,411
Focusrite Pro	-	653
Novation	-	447
ADAM Audio	4,874	757
Martin Audio	2,364	-
Sequential	2,397	-
Total	**10,054**	**3,268**

Assumptions for assessment of impairment

The discount rate applied against future cash flows has been calculated with reference to a WACC calculated by reference to an industry peer group relevant to each of the operating entities. Inputs include 20-year nominal risk-free rate and market risk premium.

All CGUs have applied a perpetual 1% growth rate based on International Monetary Fund ('IMF') estimates of long-term inflation.

To review the sensitivity of the key assumptions, all impairment assessments have been tested using the following sensitivities

- 1% increase or reduction to perpetual growth rate.
- 3% increase or reduction to Compound Annual Growth Rate ('CAGR')
- 1% increase or decrease to discount rate.

The impairment review undertaken as described below for all CGUs covers goodwill, intangible assets with indefinite useful lives and other internally generated assets totalling £5.8 million.

Focusrite, Focusrite Pro and Novation

An impairment assessment in relation to each of these CGUs was performed by management. The recoverable amounts of these CGUs have been determined based on the value in use method. The calculations use cash flow projections based on financial budgets approved by management covering a three-year period over which a CAGR of 9% was applied. Cash flows beyond that three-year period have been extrapolated to achieve a 6% CAGR overall to the end of FY26, and a perpetual 1% growth rate (FY20: 2%) based on IMF estimates of long-term inflation thereafter. A pre-tax discount rate of 9.4% (2020: 9.3%) has been assumed. These assumptions have been applied against Focusrite, Focusrite Pro and Novation CGUs.

Management believes that any reasonably possible change in the key assumptions on which these three CGUs' recoverable amounts are based would not cause the carrying amount to exceed their respective recoverable amounts.

ADAM Audio

The recoverable amount of ADAM Audio has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a three-year period which and a consistent growth rate in the two financial years following the management forecasts, leading to an applied CAGR of 11% over the five-year period. A pre-tax discount rate of 12.1% has been assumed, compared to the rate applied in FY20 of 13.8%. The reduction in discount rate is due to updated assumptions based on technical and current market conditions due to strong performance in the sector since acquisition; risk has reduced therefore the discount rate has reduced.

Cash flows beyond that five-year period have been extrapolated using a perpetual 1% growth rate (FY20: 2%) based on IMF estimates of long-term inflation. Management believes that any reasonably possible change in the key assumptions on which ADAM Audio's recoverable amount is based would not cause ADAM Audio's carrying amount to exceed its recoverable amount.

Martin Audio

The recoverable amount of Martin Audio has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a three-year period and a consistent growth rate in the two financial years following the management forecasts leading to an applied CAGR of 13% over the five-year period. A pre-tax discount rate of 12.8% has been assumed compared to the discount rate applied in FY20 of 13.8%. The reduction in discount rate is due to updated assumptions based on technical and current market conditions and reduction to market risk to reflect membership of the Group. Any uncertainty risks are reflected within the base cash flows and not the discount rate.

Cash flows beyond that five-year period have been extrapolated using a perpetual 1% growth rate based on IMF estimates of long-term inflation. Management believes that any reasonably possible change in the key assumptions on which Martin Audio's recoverable amount is based would not cause Martin Audio's carrying amount to exceed its recoverable amount.

Sequential

The recoverable amount of Sequential has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a three-year period and a consistent growth rate in the two financial years following the management forecasts leading to an applied CAGR of 6% over the five-year period. A pre-tax discount rate of 12.3% has been applied. The discount rate has been calculated with reference to WACC calculated with reference to an industry peer group adjusted for Group-applied 20-year nominal risk-free rate and market risk premium. Any uncertainty risks are reflected within the base cash flows and not the discount rate.

Cash flows beyond that five-year period have been extrapolated using a perpetual 1% growth rate based on IMF estimates of long-term inflation. Management believes that any reasonably possible change in the key assumptions on which Sequential’s recoverable amount is based would not cause Sequential’s carrying amount to exceed its recoverable amount.

11 POST BALANCE SHEET EVENTS

During FY21, Focusrite Group commenced an exercise to reorganise the US based entities held across the Group, consisting of Focusrite Group US (formally known as Focusrite Novation Inc), Martin Audio US LLC and ADAM Audio US to form a single US entity called Focusrite Group US. As at 31 August 2021, these entities had changed ownership to be owned directly by Focusrite plc. As all investments were initially owned indirectly by Focusrite plc and all transactions are between members of the Group, there is no material impact to these financial statements.

As at 1 September 2021, these entities merged into one US entity, and from 2 September 2021 ownership changed from Focusrite plc to the Focusrite plc owned subsidiary Focusrite Investment Inc to ensure that all US entities are under common ownership. This will be completed through the issue of 7,404 additional shares in Focusrite Group US worth £6.6 million, and the issue of eight additional shares in Focusrite Investment Inc, again worth £6.6 million. As all transactions are between members of the Group, no material impact will be shown in these Group accounts.

As the reorganisation is only from a legal perspective there will be no change to the CGUs reported in these financial statements.