Strictly embargoed until 07:00: 26 April 2022.

Focusrite plc ("Focusrite" or "the Group")
Half year results for the period ended 28 February 2022

Focusrite plc, the global music and audio products company supplying hardware and software used by professional and amateur musicians and the entertainment industry, today announces its half year results for the six months ended 28 February 2022.

Commenting on the results, Tim Carroll CEO said:

"Demand for the Group's portfolio of products has remained strong, and the Group's overall performance in the half year was in line with our expectations and remains on track for the full year. As anticipated, demand and sales volumes for home creation solutions has tapered off from the unprecedented high levels during the peak of lockdown but remain materially ahead of pre pandemic levels. This is further supported by many trade sources citing continued growth in streaming services and content creation. In addition, the Group has seen the installed sound market continue to grow with positive signs towards a full recovery of live events. The Group's continued diversification of its portfolio, routes to market, and logistics served us well during the first half, enabling us to perform well despite many challenging global macro-economic issues at play."

Key financial metrics

	HY22	HY21	HY20
Group Revenue (£ million)	**92.9**	95.3	49.9
Gross Margin	**46.6%**	48.0%	46.1%
Adjusted[1] EBITDA[2] (£ million)	**22.2**	29.3	9.1
Adjusted[1] EBITDA[2] as a % of sales	**23.9%**	30.7%	18.3%
Operating profit (£ million)	**16.3**	24.2	3.0
Adjusted[1] operating profit (£ million)	**19.1**	26.3	6.4
Net cash[3] (debt) (£ million)	**18.0**	19.1	(19.9)
Basic earnings per share (p)	**23.1**	33.2	3.6
Adjusted[1] diluted earnings per share (p)	**27.1**	36.3	9.3
Interim dividend per share (p)	**1.85**	1.5	1.3

Highlights

- Group revenue remains significantly ahead of HY20 pre-pandemic levels and is also higher than the second half of FY21 (£78.6 million), despite ongoing COVID and component supply issues
  - Focusrite brands revenue down by 11.7% to £65.4 million (HY21: £74.0 million)
  - ADAM Audio revenue down by 33.1% to £8.4 million (HY21: £12.6 million) with component shortages delaying a product range transition and reducing supply
  - Martin Audio revenue up by 44.0% to £12.5 million (HY21: £8.7 million) benefiting from both strong installed sound sales and the start of the return of live events
  - Sequential revenue of £6.6 million (acquired in April 2021) in line with the Board's expectations
- Gross margin at 46.6% is higher than pre pandemic (HY20: 46.1%). Compared to HY21 pricing actions have more than offset material cost increases but short-term freight cost impacts resulted in a reduction of 1.4% points

- Adjusted[1] EBITDA[2] at £22.2 million was 23.9% of sales, significantly ahead of pre pandemic levels of 18.3% (HY20) of sales, although lower than HY21 of 30.7%, which was boosted by COVID savings, and now reflecting a cost infrastructure supporting a larger international Group
- Launch of seven new products, including Clarett Plus ranges, Circuit Tracks groovebox, Optimal Audio speakers, Prophet 5 expansion card and Ampify new features all expected to contribute in H2
- Strong production levels of Scarlett interfaces enabling inventory levels to begin to rebuild
- Interim dividend of 1.85 pence, 23.3% growth compared to HY21 dividend of 1.5 pence announced in May 2021
- Acquisition of Linea Research on 10 March 2022 for £12.6 million, which had approximately £1million of cash within net assets

Trading since the half year has continued in line with the Board's expectations. The outlook for our industry remains positive, pointing towards continued growth in the content creation market, as well as a robust return to live events. With our current portfolio, planned product introductions and continued focus on our growth strategy, including acquisitions, such as Linea Research acquired in March, we believe the Group is well positioned for a successful second half and remains on track to meet our expectations for the full year against an easier year on year comparator. As always, we remain vigilant in view of the ongoing uncertain global situation, but continue to remain optimistic about the future prospects for the Group.

[1] Adjusted for items which relate to costs of recent acquisitions, sale of trademarks and amortisation of acquired intangibles, see note 4 for more details.
[2] Comprising profit before tax adjusted for interest, taxation, depreciation, amortisation and adjusting items. This is shown on the face of the income statement.
[3] Net cash/(debt) – comprised of cash and cash equivalents, overdrafts and amount drawn against the RCF including the costs of arranging the RCF.

Enquiries:

Focusrite plc:

Tim Carroll (CEO)	+44 1494 462246
Sally McKone (CFO)	+44 1494 462246

Nominated Adviser and Joint Broker

Investec Bank plc
David Flin
William Brinkley
Charlotte Young

Peel Hunt LLP (Joint broker)
Edward Knight
Michael Burke
James Smith

Belvedere Communications

John West	+44 20 3687 2753
Llew Angus	+44 20 3687 2754

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 nine established brands: Focusrite, Focusrite Pro, Novation, Ampify, ADAM Audio, Martin Audio, Optimal Audio, Sequential and Linea acquired on 10th March 2022.

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. Sequential designs and manufactures high end analogue synthesizers. Linea designs, develops, manufactures and sells market innovative professional audio equipment globally.

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

Business and operating review

Overview

We are pleased to report our financial results and summary of operations for the six months ended 28 February 2022. Demand for the Group's portfolio of products has remained strong, and the Group's overall performance in the half year was in line with our expectations and remains on track for the full year. As anticipated, demand and sales volumes for home creation solutions has tapered off from the unprecedented high levels during the peak of lockdown but remain materially ahead of pre pandemic levels. This is further supported by many trade sources citing continued growth in streaming services and content creation. In addition, the Group has seen the installed sound market continue to grow with positive signs towards a full recovery of live events. The Group's continued diversification of its portfolio, routes to market, and logistics served us well during the first half, enabling us to perform well despite many challenging global macro-economic issues at play.

These industry wide global factors, referred to at the time of the 2021 Final Results and subsequently at our AGM in December 2021, include the shortage of electronic components and high freight costs. These have not abated and the result has been some short-term downward pressure on gross margin. The Group has proactively managed these challenges including increasing prices on some elements of the portfolio, leveraging the scale of the Group for component purchases, and optimising our logistics and routes to market. Pleasingly, the result has been that we finished the first half with results as anticipated.

COVID continues to be a factor, with several delays and temporary closures of contract manufacturers occurring over the reported period. The Group has navigated these issues well and with offices beginning to return to normal, we are now formulating a longer-term plan to support hybrid work arrangements that align with our employees' ongoing needs and wishes.

In March 2022, the Group suspended all sales to the Russian Federation and to the Republic of Belarus, with sales to Ukraine not currently possible. Trade with these countries is transacted via distributors and makes up only around 1% of the Group's total revenue. This is not expected to have a material impact on our performance and will likely be replaced by demand from other regions.

On 10 March 2022, post the end of the half year period, the Group acquired Linea Research (Linea), a market leading specialist amplifier designer and manufacturer, already a supplier to Martin Audio. The consideration was £12.6m in cash, including £1m of cash on Linea's balance sheet. The acquisition is anticipated to be earnings enhancing in the current year.

People, Culture and Strategy

At the heart of our business is a talented and passionate group of employees working for industry leading brands. They are dedicated to audio excellence and have rallied around a common mission of '*Removing Barriers to Creativity*'. Our customer base continues to grow, encompassing a much wider range of customers from the beginner/enthusiast right through to professionals and enterprise facilities. At all levels, our customers depend on our solutions to provide the highest quality audio possible in an environment where technology aids the process instead of getting in the way.

We remain focused on our growth strategy that is centred around innovation, market expansion, lifetime value for our customers and being a great place to work. The Group has executed well on all of these, adding a number of new products to our portfolio, expanding our global reach in strategic areas, and maintaining industry leading Net Promoter Scores ('NPS').

Environmental, Social and Governance ('ESG') priorities form an important and growing pillar of the culture across the Group, centred around the objective of creating a 'Great Place to Work', not just for employees but also within society and the environment. We have expanded our efforts on eNPS (employee net promoter score), talent acquisition, Diversity and Inclusion (D&I) initiatives, wellness programmes, community employment opportunities and charitable work to involve all of our business units across the globe.

Additionally, and as mentioned in our report for the year ended FY21, we are working with Ricardo PLC ahead of our first Task Force on Climate-related Financial Disclosures ('TCFD') disclosure at the end of FY22. We already have existing governance structures and our newly formed ESG committee will manage the TCFD process. We remain committed to reducing our Scope 1, 2 and 3 GHG emissions to Net Zero in line with the UK Climate Change Act. A great step forward in this goal has been the work in this half year to manufacture part of our core Focusrite Scarlett range with recycled aluminium reducing the carbon footprint of this product by almost 50%.

Operating review

Our Group is comprised of nine leading brands across four main businesses

- Focusrite Audio Engineering (FAEL): Focusrite, Focusrite Pro, Novation and Ampify
- Martin Audio: Martin Audio, Optimal Audio and newly acquired Linea Research
- ADAM Audio
- Sequential

With the acquisition of ADAM Audio the Group ended its distribution of third party monitors.

	Six months to 28 February 2022 £'000	Six months to 28 February 2021 £'000	Six months to 29 February 2020 £'000	Year to 31 August 2021 £'000
Revenue from external customers				
Focusrite	**52,404**	58,325	25,574	97,218
Focusrite Pro	**2,510**	2,675	1,884	4,877
Novation (including Ampify)	**10,511**	13,043	9,935	22,262
Focusrite Subtotal	**65,425**	74,043	37,393	124,357
ADAM Audio	**8,420**	12,582	7,041	23,865
Martin Audio (including Optimal Audio)	**12,459**	8,651	4,526[4]	20,398
Sequential	**6,589**	-	-	5,299[4]
Distribution	**-**	10	966	16
Total	**92,893**	95,286	49,926	173,935

[4] Revenue from date of acquisition

Focusrite brands

The Focusrite branded Scarlett and Clarett audio interfaces are a suite of products designed to allow both beginners and professionals alike to create the best quality audio possible. These products are core to home recording and audio streaming, which experienced large increases in demand during the height of the pandemic and lockdowns. Demand for these solutions remains significantly higher than pre-pandemic periods: whilst sales are down 10% on last year's exceptionally strong first half during the lockdown they are still up 105% over the first half of HY20, prior to the pandemic.

Focusrite Pro offers a suite of solutions for professionals in both the creation and audio reproduction sectors. Revenue was down versus prior year by 6%, but up on HY20 by 33%. This sector of our business was the hardest hit by the AKM chip manufacturer's fire that resulted in a required rework of much of the portfolio, causing product shortages during the first half. Demand for the products has continued to be strong, fuelled by the ever-increasing amount of new content being generated for consumers, wider acceptance of enhanced formats, such as Dolby ATMOS, and more and more professionals adopting networked audio.

Our Novation brand is dedicated to the electronic musician and offer a range of solutions from groove boxes, grid controllers, keyboards, and synthesizers. Novation products, like Focusrite, experienced unusually high demand levels during the first half of last year. Revenue for Novation products was down 19% compared to HY21, but up 6% compared to HY20.

Ampify has continued to develop, refine, and add to the features on its cross-platform music creation solution, Ampify Studio, as well with our iOS music creation apps. As well as offering in-app and subscription revenue streams, both continue to be a great funnel for new users interested in electronic music. Although still relatively small in comparison to the other brands, the number of subscribers grew 245% with a 175% increase in MRR (monthly recurring revenue). App revenue also increased year over year by 44%.

ADAM Audio

ADAM Audio, based in Berlin, is a globally recognised brand with a passionate team focused on delivering world-class monitors (speakers) for audio content creators. ADAM Audio's portfolio of reference monitors encompasses the T-Series, A-Series and S-Series. The T-Series speakers are award winning reference monitors designed for the home studio market. The A-Series are used in both high-end home studios and professional facilities alike, and the enterprise level S-Series are showcased in some of the most prestigious audio production facilities in the world.

ADAM had a difficult first half: component and manufacturing delays caused a material reduction in available quantities of the T-Series product for the holiday period and delayed a major product transition resulting in stock outs. The net impact of these issues resulted in ADAM finishing the first half 33% down from the previous year, albeit 20% up over HY20. Coming into the second half, both issues have been resolved. The T-series is back in stock and a major revision to the A series has been launched to positive industry reviews and with orders already ahead of forecast with shipping due to start in April 2022.

Martin Audio (including Optimal Audio)

During the first half of the year Martin Audio has seen strong growth in installations as well as positive signs of a global return in live sound purchases. As a result, revenues are up 44% compared to the prior year with a strong sales pipeline across all sectors. The broad portfolio of installation specific product alongside the strong market acceptance of the medium throw (15m-30m) TORUS systems are fuelling this growth in installed sound. Touring sales are slowly returning as customers come out of the pandemic and here again, TORUS is proving to be popular with its versatility and performance being well received by rental companies. The latest Display 3 software is also exciting our customer base as they see the benefits of 3D visualisation of sound system design.

Our new commercial audio brand, Optimal Audio, now has systems shipping with distribution signed up in over 30 countries and production ramping up through the year. At the beginning of March 2022, we acquired Linea. Linea is a market leader in the specialist amplifier and processing technology required to power live sound loudspeakers and they are already a major supplier to Martin Audio with the successful IKON Series. The addition of Linea to the Group helps us to secure this supply chain alongside growing the distribution and customer base for their own products, and enhance our research and development capabilities.

Sequential

Sequential, based in San Francisco, was acquired in April of last year. The Sequential brand is synonymous with world class analogue synthesizers and has been at the forefront of electronic music innovation for over 40 years. Sequential had a very strong first half, finishing ahead of expectations despite component shortage issues. Sequential has several new product releases scheduled for the second half that are expected to strengthen its performance further. Additionally, the Group has been expanding Sequential's distribution and demand generation activities by leveraging the scale of the FAEL and ADAM's global sales teams. We expect to continue these efforts through the second half.

Research and development

R&D remains a cornerstone of our Group's strategy. In this period, the Group launched seven new products to market as well as a host of software and hardware upgrades. In addition, the Group has a very robust set of product introductions scheduled for the second half of this financial year with major launches planned in most brands across the portfolio.

Regional review

	Six months to 28 February 2022 £'000	Six months to 28 February 2021 £'000	Six months to 29 February 2020 £'000	Year to 31 August 2021 £'000
North America	**39,763**	41,845	18,094	74,633
Europe, Middle East and Africa ('EMEA')	**35,424**	36,945	23,115	69,292
Rest of World ('ROW')	**17,706**	16,496	8,717	30,010
Total	**92,893**	95,286	49,926	173,935

North America

North America remains the largest region for the Group representing 43% of total revenue in the period. FAEL, ADAM Audio and Sequential products are sold through similar sales channels, and Martin Audio's North America business is transacted through a mix of live/tour sound rental companies, system integrators and direct to end-users. In North America we have invested in sales, marketing, logistics and customer service to support the expanded business. At the beginning of this year, the Group set up a new entity to allow our US based teams to cross-sell products in the Group's portfolio and scale our finance, logistics, and support as a shared service. This has settled in well and having the desired impact.

Revenue for Focusrite brands in North America was down 12% compared to H1 FY21 but up 117% compared to the same period pre-pandemic in H1 FY20. ADAM Audio's performance was down 42% year-on-year, largely as a result of the reasons cited above. Compared to H1 FY20, ADAM Audio was up 8%. Sequential had a strong first half continuing the sales volumes seen in the second half of last year. Martin Audio's North America business was up 56% on the prior year, highlighting great momentum due to the return of live events.

EMEA

EMEA represented 38% of the Group’s revenue for the first half of FY22. Like North America, FAEL, ADAM Audio and Sequential utilise a very similar set of distributors and resellers. The Group has been undertaking initiatives in certain countries to begin selling directly to the reseller channel as opposed to selling to a distributor. To date, these actions have proven beneficial in terms of margin and connectedness to the local channel and customers. Martin transacts through a combination of distributors, system integrators and live sound rental companies.

For Focusrite brands, the region was down 17% compared to H1 FY21 but up 31% on H1 FY20. ADAM Audio’s EMEA business was down 26% on the prior first half but up 27% over H1 FY20. Sequential had a strong first half, trading ahead of our expectations. Martin also delivered a strong performance in EMEA, finishing 68% up over the prior year. Like North America, a great signal of the return of live events as well as continued strength in installed sound.

ROW

ROW comprises all other regions outside of EMEA and North America, principally made up of Asia Pacific (‘APAC’) and Latin America (‘LATAM’) and constitutes 19% of total Group revenue. Targeted as key areas for growth, the Group continues to invest resources into these regions and now has over 20 people dedicated to ROW demand generation and support activities.

As with North America and EMEA, APAC utilises similar channels for the Focusrite, Novation, ADAM Audio and Sequential brands and a combination of distributors, system integrators and rental companies for Martin. In the first half, the Group initiated a direct-to-reseller structure for Australia, replacing our existing distributor and setting up our own logistics. This has performed well, and we are planning to adopt this structure in other strategic markets over the next few years. For Focusrite brands, APAC was up 9% over the prior year. ADAM Audio was down 27%, mainly due to the same issues outlined above relating to component supply. Trading for Sequential in this region was ahead of expectations and going forward will be supported through our internal distributor. Martin Audio had a satisfactory performance in APAC, finishing 22% up over the prior year. It is worth noting that for Martin, the APAC region recovered quickly from pandemic/lockdowns last year, so the comparisons over last year had minimal pandemic impact unlike EMEA and North America.

LATAM finished 24% down over the prior year, although 46% ahead of HY20. The results this year were impacted by supply issues into the region, with both ADAM and FAEL brands reporting declines.

In summary, the Group has performed well and mitigated many of the problems caused by global macro-economic issues. Going forward, several industry data points support continued growth in the content creation market and a robust return to live events. With our current portfolio, planned product introductions and continued focus on our growth strategy, we believe the Group is well positioned for a successful second half and full year.

Financial Review

Overview

Against strong comparators the Group has retained much of the sales volume gained during the pandemic, delivering revenue only 2.5% lower than the six months to February 2021, with adjusted[1] EBITDA at £22.2 million (24% of sales). This is lower than HY21 adjusted EBITDA of £29.3 million, due to a reduction in the gross margin as a result of short-term factors increasing freight costs, together with prior year COVID savings reversing and the Group investing to support growth and expansion. Reported operating profit at £16.3 million (HY21: £24.2 million) has reduced for the same reasons, together with a slightly higher depreciation charge. Similarly, adjusted[1] diluted EPS of 27.1p is lower than the prior year's 36.3p whilst almost three times that of HY20 (9.3p).

Income statement

	HY22 £m Adjusted	**HY22 £m Adjusting items**	**HY22 £m Reported**	HY21 £m Adjusted	HY21 £m Adjusting items	HY21 £m Reported	*HY20 £m Adjusted*	*HY20 £m Adjusting items*	*HY20 £m Reported*
Revenue	**92.9**	**-**	**92.9**	95.3	-	95.3	*49.9*	-	*49.9*
Cost of sales	**(49.6)**	**-**	**(49.6)**	(49.6)	-	(49.6)	*(26.9)*	-	*(26.9)*
Gross profit	**43.3**	**-**	**43.3**	45.7	-	45.7	*23.0*	-	*23.0*
Administrative expenses	**(24.2)**	**(2.8)**	**(27.0)**	(19.4)	(2.1)	(21.5)	*(16.6)*	*(3.4)*	*(20.0)*
Operating profit	**19.1**	**(2.8)**	**16.3**	26.3	(2.1)	24.2	*6.4*	*(3.4)*	*3.0*
Net finance income/(expense)	**0.2**	**-**	**0.2**	(0.6)	-	(0.6)	*(0.3)*	-	*(0.3)*
Profit before tax	**19.3**	**(2.8)**	**16.5**	25.7	(2.1)	23.6	*6.1*	*(3.4)*	*2.7*
Income tax expense	**(3.3)**	**0.3**	**(3.0)**	(4.3)	-	(4.3)	*(0.7)*	-	*(0.7)*
Profit for the period	**16.0**	**(2.5)**	**13.5**	21.4	(2.1)	19.3	*5.4*	*(3.4)*	*2.0*

	HY22 £m Adjusted	**HY22 £m Adjusting items**	**HY22 £m Reported**	HY21 £m Adjusted	HY21 £m Adjusting items	HY21 £m Reported	*HY20 £m Adjusted*	*HY20 £m Adjusting items*	*HY20 £m Reported*
Operating profit	**19.1**	**(2.8)[1]**	**16.3**	26.3	(2.1) [1]	24.2	*6.4*	*(3.4) [1]*	*3.0*
Add – amortisation of intangible assets	**1.9**	**2.2[1]**	**4.1**	2.0	1.8[1]	3.8	*2.0*	*1.2[1]*	*3.2*
Add – depreciation of tangible assets	**1.2**	**-**	**1.2**	1.0	-	1.0	*0.7*	-	*0.7*
EBITDA	**22.2**	**(0.6)**	**21.6**	29.3	(0.3)	29.0	*9.1*	*(2.2)*	*6.9*

[1] Adjusting items comprise costs relating to the recent acquisitions, sale of trademarks and amortisation of acquired intangibles. They are further detailed in note 4 of the interim statements.

Revenue

Revenue for the Group declined by 2.5% to £92.9 million (HY21: £95.3 million) which, adjusting for acquisitions and constant currency, represents an organic decline of 8.7%. Sequential was purchased in April 2021 and contributed £6.6 million, ahead of our expectations, in the first half year (HY21: nil). This first half year the Group faced very strong comparators, together with the ongoing challenges of managing through COVID and component supply issues. Despite this, demand has remained at levels significantly higher than pre pandemic, and although down on the prior year, the first half of this year is 18% higher than the second half of FY21, where component availability restricted supply. These ongoing issues particularly impacted ADAM in the first half of this year, contributing to the decline of 33%. Conversely, Martin grew by 44% with the successful focus on installed sound and the return of live markets delivering strong growth.

	HY20 Revenue Reported	HY21 Revenue Reported	Exchange	As adjusted	**HY22 Revenue Reported**	**HY22 Reported Growth (%)**	**HY22 OCC growth (%)[4]**
Focusrite	*38.4*	74.0	(0.4)	73.6	**65.4**	**(11.7) %**	**(11.1) %**
ADAM Audio	*7.0*	12.6	(0.3)	12.3	**8.4**	**(33.1) %**	**(31.7) %**
Martin Audio [3]	*4.5*	8.7	(0.1)	8.6	**12.5**	**44.0 %**	**45.3 %**
Total organic	*49.9*	95.3	(0.8)	94.5	**86.3**	**(8.6) %**	**(8.7) %**
Sequential [3]	-	-	-	-	**6.6**	**N/A**	**N/A**
Total	*49.9*	95.3	(0.8)	94.5	**92.9**	**(2.5) %**	**(8.7) %**

[3] Martin Audio acquired December 2019 Sequential acquired in April 2021.

[4] Organic constant currency (OCC) growth rate is calculated by comparing FY22 revenue to FY21 revenue adjusted for FY22 exchange rates and the impact of acquisitions.

Exchange rates were mixed in the period. The Euro average rate strengthened to €1.18 (HY21: €1.14) and the USD average rate weakened slightly from $1.36 in HY21 to $1.35 in HY22. The effect of the Dollar movement is to decrease the revenue for HY22 relative to HY21. However, at the profit level the USD effect is mitigated by the purchases of stock in USD from the manufacturers in China and Malaysia and the Euro effect is largely mitigated by the Group's hedging policy (approximately 75% of Euro exposure is hedged in the current financial year and approximately 50% is hedged in the following financial year).

Segment profit

Segment profit is disclosed in more detail in note 3 to the accounts named, 'Operating Segments'. These segments compare the revenue of the products of the relevant brands with the directly attributable costs to create segment profit.

Gross profit

In HY22, the gross margin was 46.6%, down from 48.0% in HY21. Although all brands implemented price increases which more than offset underlying cost increases, short term freight and component supply issues added to downward pressures. Freight costs have increased by approximately 2% of sales in this half year, exacerbated by a greater mix of air freight to ensure supply during the busy holiday period. In addition, the operations teams have secured components for production through several spot buys at higher prices, which is not expected to continue once supply normalises.

HY22 and HY21 both include benefits from US duty refunds, £0.4 million this year and £0.6 million in HY21. All brands across the Group monitor the impact of component price increases on our margin and have taken action to increase sales prices to mitigate this in the second half, whilst ensuring that product remains competitive and value for money in the market.

Administrative expenses

Administrative expenses consist of sales, marketing, operations, the uncapitalised element of research and development (partially offset by the Research and Development Expenditure Credit regime ('RDEC') tax credit) and central functions such as legal, finance and the Group Board. These expenses were £27.0 million, up from £21.5 million last year. Excluding adjusting costs of £2.8 million (HY21: £2.1 million) (see Adjusting items section), the operating costs were £24.2 million (HY21: £19.4 million). Sequential contributed a full six months of costs of £1.6 million.

The underlying increase in administrative expenses, excluding the impact of Sequential, of 16% has been a result of several factors. HY21 at the height of the lockdowns included significant savings relating to lower travel, marketing and office running costs. During FY21 the Group invested to support the higher volumes, with extra employees in service and product teams resulting in a step up in costs in H2 FY21 which has continued at a similar level in this half year as sales volumes have continued at the same levels. In addition, the Group has strengthened central infrastructure and security, including IT, to support an expanded international group with increased requirements for remote working. Much of this one off investment was made in the second half of FY21, which had administrative expenses totalling £19.9 million. Inflation has further impacted this half year, with cost increases being mitigated by cost savings and efficiencies where possible.

Adjusted EBITDA

Adjusted EBITDA is an alternative performance measure, and is widely used by securities analysts, investors and other interested parties to evaluate the profitability of companies. It is also used within the Group as the basis for some of the incentivisation of senior management at both the operating company level and the Group level. Adjusted EBITDA decreased from £29.3 million in HY21 to £22.2 million in HY22, a decrease of 24%. The decrease of £7.1 million was due to the lower gross margin and the increase in costs to support the ongoing strong demand for our products and the Group's expansion. Adjusted EBITDA as a percentage of sales is 24%, lower than HY21 but ahead of the pre pandemic level in HY20 of 18.3%. A reconciliation to operating profit can be found in note 4.

Depreciation and amortisation

Depreciation is charged on tangible fixed assets on a straight-line basis over the assets' estimated useful lives, normally ranging between two and five years. Amortisation is mainly charged on capitalised development costs, writing-off the development cost over the life of the resultant product. The life spans of the products vary across our brands, from three years for Focusrite and Novation and up to eleven years for Martin Audio and fifteen for Sequential, reflecting the different lifespans of the products.

The amortisation of the acquired intangible assets totalled £2.2 million during the period (HY21: £1.8 million) and has been disclosed within adjusting items.

Across the Group, £3.2 million of development costs were capitalised (HY21: £2.6 million) and the amortisation of capitalised development costs was £1.5 million (HY21: £1.6 million).

Adjusting items

In HY22 adjusting items totalled £2.8 million (HY21 £2.1 million), £0.3 million relating to the diligence costs for the acquisition of Linea that was completed on 10 March 2022, £1.1 million for the earn out relating to the Sequential acquisition, and £2.2 million relating to amortisation of acquired intangible assets, offset by £0.8 million of income from the sale of a trademark. In HY21, the adjusting items included £0.3 million relating to the diligence costs for the acquisition of Sequential that was completed 26 April 2021 and £1.8 million relating to amortisation of acquired intangible assets.

Foreign exchange and hedging

The exchange rates were as follows:

Exchange rates	**HY22**	HY21	HY20	FY21
Average				
USD:GBP	**1.35**	1.36	1.28	1.36
EUR:GBP	**1.18**	1.14	1.16	1.14
Period end				
USD:GBP	**1.34**	1.39	1.28	1.38
EUR:GBP	**1.20**	1.15	1.16	1.17

The average USD rate has weakened slightly at $1.35:£1.00 for HY22 (HY21: $1.36). The USD accounts for over half of Group revenue but nearly all of the cost of sales so there is a useful natural hedge.

The Group enters 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 ending August 2022) and approximately 50% of the Euro flows for the following financial year (FY23).

In HY22, approximately three-quarters of Euro flows were hedged at €1.13, and the average transaction rate was €1.18, thereby creating a blended exchange rate of approximately €1.15. In HY21, the equivalent hedging contracts were at €1.12, versus the transactional rate of €1.14 and so creating a blended exchange rate of €1.13.

Hedge accounting is used, meaning that the hedging contracts have been matched to income flows and, providing the hedging contracts remain effective, movements in fair value are shown in a hedging reserve in the balance sheet, until the hedge transaction occurs.

Corporation tax

The effective tax rate for the period is 18.6% (HY21: 18.2%), increasing slightly as brought forward losses are now utilised. In both years the rate has been impacted by the disallowance of certain adjusting item costs for corporation tax, including depreciation of acquired intangibles and costs relating to diligence on acquisitions. Adjusting for these, the underlying effective rate is 16.4% (HY21: 16.7%). Since September 2020 the Group has been part of the RDEC tax scheme for R&D credits, and as a result a credit of £0.2 million has been recognised against uncapitalised R&D costs within Administrative expenses, which is taxable. The effective tax rate is expected to move to be broadly in line with the UK headline rate, which is due to increase on 1 April 2023 to 25% as outlined by the Chancellor.

Earnings per share ('EPS')

The basic EPS for the half year was 23.1 pence, down 30% from 33.2 pence in HY21. This decrease has largely followed the change in reported profit after tax. The weighted average number of shares used for the calculation has increased marginally compared to the prior year at 58,215,504 shares (HY21: 58,077,283 shares). The more comparable measure, excluding adjusting items and including the dilutive effect of share options, is the adjusted diluted EPS. This decreased to 27.1 pence, from 36.3 pence in HY21, a decrease of 25%.

	HY22	HY21	HY20	FY21
	Pence	Pence	Pence	Pence
Basic	**23.1**	33.2	3.6	48.8
Diluted	**22.8**	32.7	3.5	48.2
Adjusted basic	**27.4**	36.9	9.4	58.2
Adjusted diluted	**27.1**	36.3	9.3	57.5

Balance sheet

	HY22	HY21	HY20	FY21
	£m	£m	£m	£m
Non-current assets	**66.2**	51.2	63.3	62.8
Current assets				
Inventories	**25.7**	15.9	18.6	20.7
Trade and other receivables	**23.7**	18.2	19.3	16.3
Cash	**17.8**	18.8	12.8	17.3
Current liabilities				
Trade, other payables and provisions	**(29.9)**	(20.5)	(15.7)	(25.5)
Non-current liabilities				
Bank loan or overdraft	**0.2**	0.3	(32.7)	0.3
Other non-current liabilities	**(9.6)**	(8.6)	(10.6)	(7.6)
Net assets	**94.1**	75.3	55.0	84.3

Non-current assets

The non-current assets comprise: goodwill, brands, patents and capitalised development costs; property, plant and equipment; and software.

Goodwill totals £9.7 million (HY21: £7.9 million). This comprises Martin Audio's £2.3 million, ADAM Audio's £4.8 million, Novation's £0.4 million and Sequential's £2.2 million.

The brands were initially valued at £20.4 million. This comprises Martin Audio's £6.8 million, which is being amortised over twenty years, ADAM Audio's £7.5 million, which is being amortised over ten years and Sequential at £6.1 million similarly between ten and fifteen years. At 28 February 2022 the brands had carrying value, net of amortisation, of £16.8 million (HY21: £12.7 million).

The capitalised development costs comprise acquired developments in relation to both completed products and products currently in development, and internally generated development costs for products currently on sale and currently in development. The amortisation periods range from three years to eleven years depending on the expected life of the products. The shorter amortisation periods are more usual for Focusrite and Novation products and the longer periods for the ADAM Audio monitors and the Martin Audio live speakers. The capitalised development costs have a carrying value, net of amortisation, of £31.0 million (HY21: £25.6 million).

Based on current trading and management forecasts, no impairments to the carrying value of the intangible assets have been deemed necessary. This will be reassessed at the year-end for evidence of any permanent diminution in value.

Overall, the amortisation of the intangible assets totals £4.1 million (HY21: £3.8 million). This is split between amortisation of intangible assets acquired as part of the acquisitions of £2.2 million (HY21: £1.8 million), and other amortisation of £1.9 million (HY21: £2.0 million). The amortisation of acquired intangible assets has been treated as an adjusting item. The ongoing amortisation relates to the capitalised development costs for new products. The difference in the period between ongoing amortisation and capitalised development costs is £1.7 million (HY21: £1.2 million).

The remaining £8.7 million (HY21: £5.0 million) of non-current assets consist mainly of right of use assets relating to the Group's leased offices and warehouses, tooling equipment for the manufacture of products and other intangible assets such as software and trademarks. The lease for the Martin premises was renewed in this half year adding an asset of £3.5 million and a liability of £3.5 million to the balance sheet.

Working capital

Working capital was 11.4% of revenue (HY21: 7.7%). Inventory has increased, as supply for Focusrite products has improved, allowing us to rebuild from very low stock positions, a trend which is expected to continue in the second half of the year enabling the Group to return to historic and more resilient levels of working capital at around 20% of revenue. As is our practice, creditors continue to be paid on time.

Cash flow

	HY22	HY21	HY20	FY21
	£m	£m	£m	£m
Free cash flow[4]	**2.7**	5.5	(0.6)	4.9
Adjusted for the following items				
Acquisition of subsidiary (net of cash acquired)	**-**	-	4.3	13.9
Bank loan (net of arrangement fee)	**-**	12.0	-	11.9
Adjusting items (cash outflow) [5]	**0.2**	-	0.7	0.8
Underlying free cash flow	**2.9**	17.5	4.4	31.5

[4]Defined as net cash from operating activities less net cash used in investing and financing activities, excluding dividends paid.
[5]Defined as net cash payments for Adjusting costs and income.

The underlying free cash flow in HY22 was £2.9 million, which was 3.1% of revenue. In the comparative period, the underlying free cash flow was £17.5 million which was 18.4% of revenue. Underlying free cash flow as a percentage of revenue is a key performance measure within the Group and forms an element of the incentivisation metrics for senior management across the Group. As referenced in the FY21 year end results, we expect underlying free cashflow this year to be lower than our historic average of approximately 12% of revenue as we rebuild stock levels which were depleted due to high demand and component shortages and other supply constraints in FY21.

Free cash flow is 2.9% of revenue and is impacted by similar issues as underlying free cashflow. In the prior year adjusting items related to the acquisition of Sequential and the repayment of loans relating to both this and the Martin acquisition. In the current first half year they relate to the payment of the first part of the Sequential earn out and the income received from the sale of a trademark.

The net cash balance at the period end was £18.0 million (HY21: net cash of 19.1 million and FY21: net cash of £17.6 million). This includes the arrangement fee for the RCF of £0.2m which is being amortised across the period of the facility. The Group has a £40 million revolving credit loan facility split evenly between HSBC and NatWest due for renewal in December 2024. As at the balance sheet date there were no amounts drawn down from the facility (HY21: nil, FY21 nil).

Dividend

The Board has approved an interim dividend of 1.85 pence (HY21: 1.5 pence) a growth of 23%, in line with the Group's progressive dividend policy, and reflecting the Board's confidence in the Group's prospects.

Summary and outlook

Demand for the Group's portfolio of products has remained strong, and the Group's overall performance in the half year was in line with our expectations and remains on track for the full year. As anticipated, demand and sales volumes for home creation solutions has tapered off from the unprecedented high levels during the peak of lockdown but remain materially ahead of pre pandemic levels. This is further supported by many trade sources citing continued growth in streaming services and content creation. In addition, the Group has seen the installed sound market continue to grow with positive signs towards a full recovery of live events. The Group's continued diversification of its portfolio, routes to market, and logistics served us well during the first half, enabling us to perform well despite many challenging global macro-economic issues at play.

Trading since the half year has continued in line with the Board's expectations. The outlook for our industry remains positive, pointing towards continued growth in the content creation market, as well as a robust return to live events. With our current portfolio, planned product introductions and continued focus on our growth strategy, including acquisitions, such as Linea research acquired in March, we believe the Group is well positioned for a successful second half and remains on track to meet our expectations for the full year against an easier year on year comparator. As always, we remain vigilant in view of the ongoing uncertain global situation, but continue to remain optimistic about the future prospects for the Group.

Tim Carroll	**Sally McKone**
Chief Executive Officer	**Chief Financial Officer**
25 April 2022	**25 April 2022**

Risks and Uncertainties

The Board has considered the principal risks and uncertainties for the remaining half of the financial year and determined that a number of the risks presented in the 2021 Annual Report, described as follows, also remain relevant to the rest of this financial year and could have a material impact on the Group's performance although they are not expected to cause the Group's actual results to differ materially from the expected results:

- Business strategy development and implementation;
- Product supply;
- Information security, data privacy and business continuity and cyber risk; and
- Climate Change.

Conflict in Ukraine

The tragic war in Ukraine makes for extraordinary uncertainty and potentially serious economic consequences. The Group trades through distributors in Russia, Ukraine and Belarus, and has ceased trading within all these markets. Annual revenue in these markets was approximately £2 million last year and the Group has no employees or significant suppliers based in these countries.

COVID

The threat of general disruption to operations, including from government restrictions, the impact on the supply chain and on people availability as a result of COVID has continued to be felt although to a lesser extent than in the first year of the pandemic. Whilst demand has stayed strong, it is less than in the prior year and the volatility, uncertainty and disruption arising in connection with COVID remains. In particular, sporadic shut-downs of our contract manufacturers in order to halt the spread of the disease, particularly in China, and shipping and container delays present a threat to the Group's ability to deliver products across the world and make for an unknown trading outlook.

People

We understand the effect the COVID pandemic has had on our people's mental health. As stories of longer hours, the inability to switch off and feelings of insecurity in relation to the return – albeit on a hybrid basis – to office working abound in the press we have continued with our efforts to support the good health and wellbeing of our people. Earlier this year we introduced our first wellbeing forum and partnered with Music Support - a mental health charity for people in the music industry, run by people in the music industry. Working with them we have been training a number of mental health first aiders and offering all our people mental health awareness training all with the aim of remaining a great place to work.

The job market has changed during the pandemic with candidates having more choice and we are responding to this. We are taking steps to accelerate our recruitment process so that offers can quickly be made to candidates and continually monitor the packages we offer to ensure we can attract, retain and motivate our people.

ESG and our sustainability strategy

As a responsible and trusted business, we are proactively addressing environmental, social and governance risks and our pace of change in this area has only intensified. Our overarching ambition is for the Group to be an industry leader on sustainability issues and to that end we have conducted an extensive materiality assessment to develop our detailed sustainability objectives and targets. This is outlined in our 2021 Annual Report on pages 38 to 52.

Cost inflation

The rate of cost inflation has been widely reported and is prevalent in most of our major markets. Our operations teams constantly work to build our products as efficiently and cost effectively as possible and our brand strength helps us to mitigate cost increases with price increases, whilst still striving to remain competitive in the market.

Ongoing severe cost inflation may also impact the discretionary income available to our customers. By remaining competitive in the market and offering premium desirable products we aim to mitigate this by being the first choice for customers.

Forward looking statements

Forward-looking statements in this first half year report must not be relied upon as guarantees or predictions of future performance. The business continues to face known and unknown risks, uncertainties and other factors, many of which are beyond our control, which may mean our actual results differ from those expressed in this first half year report.

Condensed Consolidated Income Statement

For the six months ended 28 February 2022

	Note	**Six months to 28 February 2022**	Six months to 28 February 2021	Year to 31 August 2021
		£'000	£'000	£'000
Revenue	**2**	**92,893**	95,286	173,935
Cost of sales		**(49,630)**	(49,594)	(89,805)
Gross profit		**43,263**	45,692	84,130
Administrative expenses		**(27,809)**	(21,541)	(48,356)
Other income		**829**	-	-
Adjusted EBITDA (non-GAAP measure)		**22,222**	29,236	47,548
Depreciation and amortisation		**(3,146)**	(2,946)	(6,133)
Adjusting items for Adjusted EBITDA:				
Amortisation of acquired intangible assets		**(2,236)**	(1,869)	(4,013)
Adjusting items	4	**(557)**	(270)	(1,628)
Operating profit		**16,283**	24,151	35,774
Finance income		**351**	-	48
Finance costs		**(106)**	(589)	(784)
Profit before tax		**16,528**	23,562	35,038
Income tax expense	5	**(3,075)**	(4,296)	(6,759)
Profit for the period from continuing operations		**13,453**	19,266	28,279
Earnings per share				
From continuing operations				
Basic (pence per share)	7	**23.1**	33.2	48.8
Diluted (pence per share)	7	**22.8**	32.7	48.2

Condensed Consolidated Statement of Other Comprehensive Income

For the six months ended 28 February 2022

	Six months to 28 February 2022	Six months to 28 February 2021	Year to 31 August 2021
	£'000	£'000	£'000
Profit for the period	**13,453**	19,266	28,279
Items that may be reclassified subsequently to the income statement			
Exchange differences on translation of foreign operations	**(1,375)**	(265)	(726)
(Loss)/gain on forward foreign exchange contracts designated and effective as a hedging instrument	**(144)**	626	445
Tax on hedging instrument	**27**	(151)	(85)
Total comprehensive income for the period	**11,961**	19,476	27,913
Profit attributable to:			
Equity holders of the Company	**11,961**	19,476	27,913

Condensed Consolidated Statement of Financial Position

	Note	**28 February 2022**	28 February 2021	31 August 2021
		£'000	£'000	£'000
Assets				
Non-current assets				
Goodwill		**9,710**	7,882	10,054
Other intangible assets	8	**49,984**	39,500	49,066
Property, plant and equipment		**6,466**	3,833	3,646
Total non-current assets	3	**66,160**	51,215	62,766
Current assets				
Inventories		**25,717**	15,908	20,749
Trade and other receivables		**22,404**	17,326	14,775
Derivative financial instruments	9	**572**	846	716
Current tax asset		**702**	-	869
Cash and cash equivalents	9	**17,813**	18,792	17,339
Total current assets		**67,208**	52,872	54,448
Current liabilities				
Trade and other payables		**(27,168)**	(14,938)	(23,673)
Other liabilities		**(987)**	(888)	(774)
Current tax liabilities		**-**	(3,390)	-
Provisions		**(1,711)**	(1,319)	(1,092)
Total current liabilities		**(29,866)**	(20,535)	(25,539)
Net current assets		**37,342**	32,337	28,909
Total assets less current liabilities		**103,502**	83,552	91,675
Non-current liabilities				
Deferred tax		**(6,182)**	(6,311)	(5,996)
Other liabilities		**(3,442)**	(681)	(511)
Provisions		**-**	(1,519)	(1,069)
Bank loan and arrangement fee	9	**211**	303	248
Total non-current liabilities		**(9,413)**	(8,208)	(7,328)
Total liabilities		**(39,279)**	(28,743)	(32,867)
Net assets		**94,089**	75,344	84,347
Equity and liabilities				
Capital and reserves				
Share capital		**59**	59	59
Share premium		**115**	115	115
Merger reserve		**14,595**	14,595	14,595
Merger difference reserve		**(13,147)**	(13,147)	(13,147)
Translation reserve		**(1,904)**	(68)	(529)
Hedging reserve		**572**	846	716
EBT reserve		**-**	(1)	(1)
Retained earnings		**93,799**	72,945	82,539
Equity attributable to owners of the Company		**94,089**	75,344	84,347
Total equity		**94,089**	75,344	84,347

Condensed Consolidated Statements of Changes in Equity

For the six months ended 28 February 2022	Share capital	Share premium	Merger reserve	Merger difference reserve	Translation reserve	Hedging reserve	EBT reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 September 2021	59	115	14,595	(13,147)	(529)	716	(1)	82,539	84,347
Profit for the period	-	-	-	-	-	-	-	13,453	13,453
Other comprehensive (expense)/income for the period	-	-	-	-	(1,375)	(144)	-	27	(1,492)
Total comprehensive (expense)/income for the period	-	-	-	-	(1,375)	(144)	-	13,480	11,961
Transactions with owners of the Company:									
Share-based payment deferred tax deduction in excess of remuneration expense	-	-	-	-	-	-	-	(1,091)	(1,091)
Share-based payment current tax deduction in excess of remuneration expense	-	-	-	-	-	-	-	598	598
Shares from EBT exercised	-	-	-	-	-	-	1	591	592
Share-based payments	-	-	-	-	-	-	-	499	499
Shares withheld to settle employees' tax obligations associated with share-based payments	-	-	-	-	-	-	-	(865)	(865)
Premium on shares awarded in lieu of bonuses	-	-	-	-	-	-	-	202	202
Dividends paid	-	-	-	-	-	-	-	(2,154)	(2,154)
Balance at 28 February 2022	59	115	14,595	(13,147)	(1,904)	572	-	93,799	94,089

Condensed Consolidated Statements of Changes in Equity (Continued)

For the six months ended 28 February 2021	Share capital	Share premium	Merger reserve	Merger difference reserve	Translation reserve	Hedging reserve	EBT reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 September 2020	58	115	14,595	(13,147)	197	220	(1)	54,861	56,898
Profit for the period	-	-	-	-	-	-	-	19,266	19,266
Other comprehensive (expense)/income for the period	-	-	-	-	(265)	626	-	(151)	210
Total comprehensive (expense)/income for the period	-	-	-	-	(265)	626	-	19,115	19,476
Transactions with owners of the Company:									
Shares issued to EBT	1	-	-	-	-	-	(1)	-	-
Share-based payment deferred tax deduction in excess of remuneration expense	-	-	-	-	-	-	-	259	259
Share-based payment current tax deduction in excess of remuneration expense	-	-	-	-	-	-	-	447	447
Shares from EBT exercised	-	-	-	-	-	-	1	300	301
Share-based payments	-	-	-	-	-	-	-	305	305
Shares withheld to settle employees' tax obligations associated with share-based payments	-	-	-	-	-	-	-	(720)	(720)
Premium on shares awarded in lieu of bonuses	-	-	-	-	-	-	-	60	60
Dividends paid	-	-	-	-	-	-	-	(1,682)	(1,682)
Balance at 28 February 2021	59	115	14,595	(13,147)	(68)	846	(1)	72,945	75,344

Condensed Consolidated Statements of Changes in Equity (Continued)

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 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 (expense)/income for the period	-	-	-	-	(726)	445	-	(85)	(366)
Total comprehensive (expense)/ income for the period	-	-	-	-	(726)	496	-	28,143	27,913
Transactions with owners of the Company:									
Shares issued to EBT	1	-	-	-	-	-	(1)	-	-
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 associated with share-based payments	–	–	–	–	–	–	–	(739)	(739)
Premium on shares awarded 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 Statement of Cash Flow

For the six months ended 28 February 2022

	Six months to 28 February 2022 £'000	Six months to 28 February 2021 £'000	Year to 31 August 2021 £'000
Cash flows from operating activities			
Profit for the period	**13,453**	19,266	28,279
Adjustments for:			
Income tax expense	**3,075**	4,296	6,759
Net interest (income)/charge	**(228)**	574	736
Loss on disposal of property, plant and equipment	**15**	-	4
(Gain)/loss on disposal of intangible assets	**(854)**	-	498
Amortisation of intangibles	**4,093**	3,786	8,126
Depreciation of property, plant and equipment	**1,289**	1,029	2,022
Share-based payments	**515**	416	973
Operating cash flow before movements in working capital	**21,358**	29,367	47,397
(Increase)/decrease in trade and other receivables	**(7,592)**	527	3,533
(Increase)/decrease in inventories	**(4,966)**	3,465	(1,023)
Increase/(decrease) in trade and other payables	**2,491**	(8,169)	(773)
Operating cash flow before interest and tax paid	**11,291**	25,190	49,134
Net interest received/(paid)	**246**	(145)	(311)
Income tax paid	**(2,722)**	(2,819)	(9,741)
Net foreign exchange movement	**(1,285)**	(700)	(566)
Net cash inflow from operating activities	**7,530**	21,526	38,516
Cash flows from investing activities			
Purchases of property, plant and equipment	**(378)**	(779)	(1,126)
Proceeds from disposal of intangible assets	**978**	-	-
Development of intangible assets	**(5,024)**	(2,911)	(5,485)
Acquisition of subsidiary, net of cash acquired	**-**	-	(13,948)
Net cash used in investing activities	**(4,424)**	(3,690)	(20,559)
Cash flows from financing activities			
Issue of equity shares	**-**	1	-
Proceeds from loans and borrowings	**-**	-	7,353
Repayments of loans and borrowings	**-**	(12,000)	(19,335)
Payment of right of use liabilities	**(478)**	(338)	(1,057)
Equity dividends paid	**(2,154)**	(1,682)	(2,554)
Net cash used in financing activities	**(2,632)**	(14,019)	(15,593)
Net increase in cash and cash equivalents	**474**	3,817	2,364
Cash and cash equivalents at beginning of the period	**17,339**	14,975	14,975
Cash and cash equivalents at end of the period	**17,813**	18,792	17,339

Notes to the Condensed Consolidated Interim Financial Statements

1. Basis of preparation and significant accounting policies

Focusrite plc (the 'Company') is a company incorporated in the UK. The condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 28 February 2022 comprised the Company and its subsidiaries (together referred to as the 'Group').

The Group is a business engaged in the development, manufacture and marketing of professional audio and electronic music products.

Statement of compliance

The condensed set of financial statements are for the six months ended 28 February 2022 and are presented in Pounds ('GBP' thousands; £'000). This is the functional currency of the Group.

The condensed set of financial statements has been prepared in accordance with the recognition and measurement requirements of UK-adopted international accounting standards and the AIM rules.

The annual financial statements of the Group for the year ended 31 August 2022 will be prepared in accordance with UK-adopted international accounting standards. The condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 August 2021 which were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

AIM listed companies are not required to comply with IAS 34 'Interim Financial Reporting' and accordingly the Company has taken advantage of this exemption. The condensed financial statements do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 August 2021.

These interim financial statements were authorised for issue by the Company's Board of Directors on 25 April 2022.

The comparative figures for the financial year ended 31 August 2021 are the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (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.

Significant accounting policies

The condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 August 2021 which were prepared in accordance with International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006.

1.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and subsidiaries controlled by the Company drawn up to 28 February 2022.

1.2 Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

1.3 Going concern

The Board of Directors have 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 16 months from the date of approval of these interim financial statements ("the going concern period"). Accordingly, the interim 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 period ending 16 months from the date of their approval of these financial statements. These forecasts include a severe but plausible downside scenario.

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

- Future growth assumptions consistent with those recently achieved by the business and adjusted for the annualization of Linea's (new acquisition) results.
- Continued investments 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 other than the acquisition of Linea Research Holdings Ltd that was completed in March 2022.

Throughout the period the forecast cash flow information indicates that the Group will have sufficient cash reserves and comply with the leverage and interest cover covenants contained within the facility.

The Directors' view is that a severe yet plausible downside assumption against their base case forecasts is estimated to be a revenue shortfall of 30% on the base case for a 13-month period commencing May 2022 with a slow return of 5% per month thereafter. 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. As an additional measure, the Directors could also cancel the dividend. Even at that level, 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 0.3x compared to the maximum of 2.5x. The Group's net debt position under this severe plausible downside scenario would still be expected to improve at the end of the 13-month period.

In reality, the Group is still experiencing levels of consumer registrations and customer demand significantly higher than pre-pandemic. This is evidenced by Group's net cash position which was approximately £7.4 million at 1 April 2022 even after funding the acquisition of Linea as indicated above. Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet their liabilities as they fall due for at least 16 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.4 Earnings per share

The Group presents basic and diluted earnings per share ('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.

1.5 Accounting estimates and judgements

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by the Directors in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the Group's financial statements for the year ended 31 August 2021.

1.6 Foreign currencies

The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which it operates (its functional currency). Sterling is the predominant functional currency of the Group and presentation currency for the consolidated financial information.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. Exchange differences on revenue are recognised within revenue. Exceptions to this are as follows:

- Exchange differences on transactions entered into to hedge certain foreign currency risks (see below under cash flow hedges/financial instruments); and
- For the purpose of presenting consolidated financial information, exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur

(therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial information, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising, if any, are recognised in the income statement.

1.7 Hedge accounting

The Group has adopted hedge accounting for qualifying transactions. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities of firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial item, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

For all other hedged forecast transactions, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period during which the hedged expected future cash flows affects profit or loss.

When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.8 Alternative Performance Measures (APMs) and Adjusting items

The Group has disclosed certain alternative performance measures ('APMs') within these interim 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 considers that the term 'Adjusted' together with an adjusting items category, provides a helpful view of the ongoing trading performance of the Group.

Adjusted results will therefore exclude certain significant costs such as intangible amortisation, together with some non-recurring benefits and so should not be regarded as a complete picture of the Group's financial performance. These measures are not defined terms under IFRS and therefore they may not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, IFRS measures.

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 of acquired businesses, sale of trademark (only in HY22) and restructuring costs, together with amortisation of acquired intangible assets.

The following APMs have been used in these interim results:

- Organic growth – the organic constant currency growth rate is calculated by comparing HY22 revenue to HY21 revenue adjusted for HY22 exchange rates and the impact of acquisitions.
- Adjusted EBITDA - comprising profit before tax 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 Linea Research Holdings Ltd (£0.3 million), earnout payable to employees of Sequential (£1.1 million), gain on sale of trademark (£0.8 million) and amortisation of acquired intangibles (£2.2 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 the net cash effect of adjusting items
- Net cash/(debt) – comprised of cash and cash equivalents, overdrafts and amount drawn against the RCF including the costs of arranging the RCF.

2. Revenue

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

	Six months to February 2022				Six months to February 2021			
	North America £'000	**EMEA £'000**	**Rest of World £'000**	**Total £'000**	North America £'000	EMEA £'000	Rest of World £'000	Total £'000
Focusrite	**25,530**	**18,177**	**8,697**	**52,404**	28,578	21,787	7,960	58,325
Focusrite Pro	**1,322**	**869**	**319**	**2,510**	1,324	919	432	2,675
Novation	**4,525**	**4,280**	**1,706**	**10,511**	5,880	5,253	1,910	13,043
ADAM Audio	**2,381**	**4,702**	**1,337**	**8,420**	4,111	6,356	2,115	12,582
Martin Audio	**3,041**	**4,397**	**5,021**	**12,459**	1,952	2,620	4,079	8,651
Sequential	**2,964**	**2,999**	**626**	**6,589**	-	-	-	-
Distribution	**-**	**-**	**-**	**-**	-	10	-	10
Total	**39,763**	**35,424**	**17,706**	**92,893**	41,845	36,945	16,496	95,286

	Year to August 2021			
	North America	EMEA	Rest of World	Total
	£'000	£'000	£'000	£'000
Focusrite	47,200	37,403	12,615	97,218
Focusrite Pro	2,238	1,635	1,004	4,877
Novation	9,706	9,242	3,314	22,262
ADAM Audio	8,073	11,849	3,943	23,865
Martin Audio	4,787	6,983	8,628	20,398
Sequential	2,629	2,164	506	5,299
Distribution	-	16	-	16
Total	74,633	69,292	30,010	173,935

3. Operating segments

Products and services from which reportable segments derive their revenue

Information reported to the Group's Chief Executive Officer (who has been determined to be the Group's Chief Operating Decision Maker) for the purposes of resource allocation and assessment of segment performance is focused on the main product groups which the Group sells. While the results of Novation and Ampify are reported separately to the Board, they meet the aggregation criteria set out in IFRS 8 'Operating Segments'. 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 and Ampify branded products

ADAM Audio - Sale of ADAM Audio products

Martin Audio - Sale of Martin Audio and Optimal Audio products.

Sequential - Sale of Sequential products. (Acquired 27 April 2021)

Distribution - Sale of third party monitors, ceased following the acquisition of ADAM

The revenue and profit generated by each of the Group's operating segments are summarised as follows:

	Six months to 28 February 2022	Six months to 28 February 2021 Restated*	Year to 31 August 2021 Restated*
	£'000	£'000	£'000
Revenue from external customers			
Focusrite	**52,404**	58,325	97,218
Focusrite Pro	**2,510**	2,675	4,877
Novation	**10,511**	13,043	22,262
ADAM Audio	**8,420**	12,582	23,865
Martin Audio	**12,459**	8,651	20,398
Sequential	**6,589**	-	5,299
Distribution	**-**	10	16

Total	**92,893**	95,286	173,935
Segment profit			
Focusrite	**24,455**	28,970	49,387
Focusrite Pro	**1,489**	1,348	2,453
Novation	**4,464**	5,196	8,686
ADAM Audio	**4,081**	6,219	11,789
Martin Audio	**5,995**	3,968	9,493
Sequential	**2,779**	-	2,341
Distribution	**-**	(9)	(19)
	43,263	45,692	84,130
Central sales and administrative expenses	**(27,252)**	(21,271)	(46,728)
Other income	**829**	-	-
Adjusting items	**(557)**	(270)	(1,628)
Operating profit	**16,283**	24,151	35,774
Finance income	**351**	-	48
Finance costs	**(106)**	(589)	(784)
Profit before tax	**16,528**	23,562	35,038
Tax	**(3,075)**	(4,296)	(6,759)
Profit after tax	**13,453**	19,266	28,279

Segment profit represents the profit earned by each segment without allocation of the share of central administration costs, finance income and finance costs, and income tax expense. This is the measure reported to the Group's Chief Executive Officer 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 £515,000 for the six-month period to 28 February 2022 (six months to 28 February 2021: £416,000; year to 31 August 2021: £973,000).

* From 1 September 2021, "other cost of sales" cost allocations across intercompany sales have been realigned to better reflect the allocation of freight and warehousing costs between segments. This has resulted in changes to segmental profit as previously reported in the six months to 28 February 2021 and the year to 31 August 2021. As required by IFRS 8, comparative information has been restated as indicated by "restated" in the Operating segments note. The revision does not result in any changes to the condensed consolidated income statement, condensed consolidated statement of financial position or consolidated statement of cash flows.

Segment net assets and other segment information

Management does not make use of segmental data relating to net assets and other balance sheet information for the purposes of monitoring segment performance and allocating resources between segments. Accordingly, other than the analysis of the Group's non-current assets by region shown below, this information is not available for disclosure in the condensed consolidated financial information.

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

	28 February 2022	28 February 2021	31 August 2021
	£'000	£'000	£'000
Non-current assets			
North America	**16,033**	590	15,104
Europe, Middle East and Africa	**49,339**	49,278	45,277
Rest of World	**788**	1,347	2,385
Total non-current assets	**66,160**	51,215	62,766

4. Adjusting items

The following adjusting items have been charged/(credited) to the income statement in the period

	Six months to 28 February 2022	Six months to 28 February 2021	Year to 31 August 2021
	£'000	£'000	£'000
Adjusting income			
Gain on sale of trademark	**(829)**	-	-
Adjusting costs			
Acquisition and due diligence costs	**300**	270	716
Earnout accrual in relation to acquisition	**1,086**	-	788
Restructuring	**-**	-	124
Total adjusting items for adjusted EBITDA	**557**	270	1,628
Amortisation of acquired intangible assets	**2,236**	1,869	4,013
Total adjusting items for adjusted operating profit	**2,793**	2,139	5,641
Tax on adjusting items	**(287)**	-	(165)
Total adjusting items for adjusted profit after tax	**2,506**	2,139	5,476

Acquisition and due diligence costs in the six months to 28 February 2022 related to fees accrued for due diligence work associated with the acquisition of Linea Research Holdings Ltd. The earnout accrual relates to that part of the US$4 million consideration that was classed as employee remuneration rather than contingent consideration as part of the Sequential acquisition in April 2021. It is payable directly to employees and is subject to their continuing employment with Sequential until December 2022.

Below is a reconciliation from operating profit to adjusted EBITDA

	Six months to 28 February 2022	Six months to 28 February 2021	Year to 31 August 2021
	£'000	£'000	£'000
Operating profit	**16,283**	24,151	35,774
Depreciation and amortisation	**3,146**	2,946	6,133
Adjusting items	**2,793**	2,139	5,641
Adjusted EBITDA	**22,222**	29,236	47,548

5. Taxation

The tax charge for the six months to 28 February 2022 is based on the estimated tax rate for the full year in each jurisdiction.

6. Dividends

The following equity dividends have been declared:

	Six months to 28 February 2022	Six months to 28 February 2021	Year to 31 August 2021
Dividend per qualifying ordinary share	**1.85p**	1.5p	5.2p

During the period, the Company paid a final dividend in respect of the year ended 31 August 2021 of 3.7 pence per share. The Board has approved an interim dividend of 1.85 pence per ordinary share (HY21: 1.5 pence).

This will be payable on 10 June 2022 to ordinary shareholders on the register on 13 May 2022. The ex-dividend date will be 12 May 2022.

7. Earnings per share

Reported EPS

The calculation of the basic and diluted EPS is based on the following data: **Earnings**	**Six months to 28 February 2022 £'000**	Six months to 28 February 2021 £'000	Year to 31 August 2021 £'000
Earnings for the purposes of basic and diluted EPS being net profit for the period	**13,453**	19,266	28,279
Adjusting items	**2,793**	2,139	5,641
Tax on adjusting items	**(287)**	-	(165)
Total adjusted profit for adjusted EPS calculation	**15,959**	21,405	33,755

Number of shares	**Six months to 28 February 2022 number '000**	Six months to 28 February 2021 number '000	Year to 31 August 2021 number '000
Weighted average number of ordinary shares for the purposes of basic EPS calculation	**58,216**	58,077	57,993
Effect of dilutive potential ordinary shares:			
Employee and Director share option plans	**694**	890	725
Weighted average number of ordinary shares for the purposes of diluted EPS calculation	**58,910**	58,967	58,718
EPS	**Pence**	Pence	Pence
Basic EPS	**23.1**	33.2	48.8
Diluted EPS	**22.8**	32.7	48.2
Adjusted basic EPS	**27.4**	36.9	58.2
Adjusted diluted EPS	**27.1**	36.3	57.5

At 28 February 2022, the total number of ordinary shares issued and fully paid was 58,661,639. This included 291,186 shares held by the Employee Benefit Trust ('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 (58,661,639) less the weighted average number of shares held by the EBT (446,135). 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.

8. Other intangible assets

	Intellectual property	Internally generated development costs	Acquired development costs	Licences	Trademark	Computer software	Brands	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 September 2020	580	23,690	19,943	166	826	1,527	14,300	61,032
Additions - products previously under development	2	488	-	30	229	330	-	1,079
Additions - products developed during the year	-	2,802	-	-	-	-	-	2,802
Additions - from development in progress	-	1,604	-	-	-	-	-	1,604
Additions through business combination	-	-	6,142	-	-	-	6,070	12,212
Foreign exchange	-	-	(188)	-	-	-	(350)	(538)
Transfer	(175)					175		-
Disposals	-	(2,839)	-	-	-	(447)	-	(3,286)
At 31 August 2021	**407**	**25,745**	**25,897**	**196**	**1,055**	**1,585**	**20,020**	**74,905**
Additions - products previously under development	**21**	**3,186**	**-**	**-**	**193**	**21**	**-**	**3,421**
Additions - products developed during the period	**-**	**-**	**-**	**1,603**	**-**	**-**	**-**	**1,603**
Foreign exchange	**(4)**	**-**	**(465)**	**-**	**-**	**190**	**(240)**	**(519)**
Disposals	**-**		**-**	**-**	**(13)**	**-**	**-**	**(13)**
At 28 February 2022	**424**	**28,931**	**25,432**	**1,799**	**1,235**	**1,796**	**19,780**	**79,397**

As at the 28 February 2022, there were £3,186,000 of assets under construction within internally generated development costs (HY21: £2,808,000).

	Intellectual property	Internally generated development costs	Acquired development costs	Licences	Trademark	Computer software	Brands	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortisation								
At 1 September 2020	520	15,506	2,152	122	464	826	1,068	20,658
Charge for the year	1	3,463	2,780	41	287	321	1,233	8,126
Foreign exchange	-	9	(81)	-	-	27	(74)	(119)
Transfer	(114)	-				114		-
Eliminated on disposal	-	(2,371)	-	-	-	(455)	-	(2,826)
At 1 September 2021	**407**	**16,607**	**4,851**	**163**	**751**	**833**	**2,227**	**25,839**
Charge for the period	**18**	**1,518**	**1,400**	**29**	**158**	**252**	**718**	**4,093**
Foreign exchange	**(1)**	**-**	**(997)**	**-**	**3**	**462**	**14**	**(519)**
Eliminated on disposal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 28 February 2022	**424**	**18,125**	**5,254**	**192**	**912**	**1,547**	**2,959**	**29,413**
Carrying amount								
At 28 February 2022	**-**	**10,806**	**20,178**	**1,607**	**323**	**249**	**16,821**	**49,984**
At 31 August 2021	-	9,138	21,046	33	304	752	17,793	49,066

9. Financial instruments

The fair value of the Group's derivative financial instruments is calculated using the quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using applicable yield curve for the duration of the instruments for non-optional derivatives, and an option pricing model for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.

IFRS 13 'Fair Value Measurements' requires the Group's derivative financial instruments to be disclosed at fair value and categorised in three levels according to the inputs used in the calculation of their fair value.

Financial instruments carried at fair value should be measured with reference to the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial instruments held by the Group that are measured at fair value all related to financial assets/(liabilities) measured using a Level 2 valuation method.

The fair value of financial assets and liabilities held by the Group are:

	28 February 2022	28 February 2021	31 August 2021
	£'000	£'000	£'000
Financial assets			
Amortised cost			
Cash and cash equivalents	**17,813**	18,792	17,339
Trade and other receivables	**18,641**	14,638	11,782
Designated cash flow hedge relationships			
Derivative financial assets designated and effective as cash flow hedging instruments	**572**	846	716
	37,026	34,276	29,837
Financial liabilities			
Amortised cost			
Trade and other payables	**19,381**	7,459	12,028
Bank loan and arrangement fee	**(211)**	(303)	(248)
	19,170	7,156	11,780

The £0.2 million recorded against bank loan and arrangement fee is the unamortised element of the amount paid to arrange the RCF in December 2020. The cost is being written down over the term of the RCF, which is five years. In previous periods it has been shown net with the loan amount, however as at 28 February 2022 no amount is drawn down against the RCF.

10. Subsequent events

On 10 March 2022, the Group completed the acquisition of 100% of the share capital of Linea Research Holdings Ltd. The total consideration paid was £12.6 million for Linea, which had approximately £1 million of cash within net assets at the date of acquisition. The initial consideration is £12.1 million of cash paid on completion and the remaining £0.5 million to be paid in cash subject to certain performance conditions relating to the period ending May 2023. This has been funded through a combination of existing cash resources and a £5 million drawdown on the existing revolving credit facility of £40 million with HSBC and NatWest.

Independent Review Report to Focusrite plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 28 February 2022 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Other Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statements of Changes in Equity, Consolidated Statement of Cash Flow and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 28 February 2022 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of UK-adopted international accounting standards and the AIM Rules.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

As disclosed in note 1, the latest annual financial statements of the group were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the next annual financial statements will be prepared in accordance with UK-adopted international accounting standards. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly report in accordance with the recognition and measurement requirements of UK-adopted international accounting standards.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

James Tracey
for and on behalf of KPMG LLP
Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
25 April 2022