



ENRICHING LIVES THROUGH MUSIC



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Five Reasons to Invest

WORLD-LEADING BRANDS

At the heart of the Content Creation industry

A global market of £6.3 billion across both our divisions.

Technology enabling a democratisation of content creation and more paths to promotion and publication.

The Audio Reproduction market is seeing increased demand for upgraded experiences enabled by new technologies such as spatial audio.



IN A GROWING

World-leading brands

A diverse portfolio of 13 established brands with strong positions in their respective segments.

Continued growth and democratisation in audio content, enabled by technology that fuels creativity for customers at all levels.

Strong product innovation

Decades of experience in developing leading proprietary hardware and software products for audio professionals and musicians.

Continuous focus on innovation, driving technological advancements and new trends in the audio industry and democratising music.



Global customer base

Strong relationships with established customer base and distribution network covering approximately 240 territories worldwide.

Persistent demand for high-quality audio products in music and sound production, recording, and entertainment industries.

DELIVERING INNOVATION

Strong balance sheet to fund future growth

Track record of acquisition and integration of complementary brands funded by historic record of cash generation. Long-term relationships with banks to provide funding for future acquisition pipeline.



GLOBAL MARKET

Front cover image: Creamfields 2024
Photo: Geoffrey Hubbel/LarMac Live
Audio: 22live

At a Glance

We are not your average audio technology group. We're a passionate bunch united by a single objective: **to smash through barriers and unleash boundless creativity** in the **world of sound**. From bedroom beat making to uniting festival crowds, we **support our customers at every step of their music journeys**.

Purpose: Enrich lives through music. This is our why. We believe in music as a force for good in this world. When we're feeling low, it lifts us. When we're consumed with mixed emotions, it channels them. When we're after that winning edge, it drives us. Most importantly, music brings us together in a world that seems so often to be drifting apart. We believe that the more people we can inspire to make music, and the more we can bring people together to enjoy music, the better the world will be.

Mission: To remove barriers to creativity. We believe technology should help, not hinder, the creative process. Every minute spent on unnecessary steps is a minute stolen from creativity. Technology can play an important role in breaking down other barriers: geographical, social and economic. Together we aim to remove them, one by one.

Embedding responsible business

Sustainability considerations are built in from the first stages of the design process across all our brands.

[Read more](#)
Page 42

We have released or updated 48 products this year with at least one sustainability initiative, and we're not stopping there. Novation Launchkey MK4 has many more initiatives planned for the next 12 months. See page 43 for more information.



Our strategic priorities [Read more](#)
Page 18



Creating a great place to work



Growing the core



Expanding into new markets



Focusing on lifetime value for our customers

Financial highlights

Revenue	Net debt¹
£158.5m FY23: £178.5m Change vs. FY23: (11.2)%	£12.5m FY23: £1.3m Change vs. FY23: £11.2m
Gross margin	Total dividend per share
44.5% FY23: 47.5% Change vs. FY23: -3.0%pts	6.6p FY23: 6.6p Unchanged vs. FY23
EBITDA²	Adjusted³ EBITDA²
£25.1m FY23: £36.9m Change vs. FY23: (32.0)%	£25.2m FY23: £38.6m Change vs. FY23: (34.6)%
Operating profit	Adjusted³ operating profit
£5.7m FY23: £24.3m Change vs. FY23: (76.5)%	£16.6m FY23: £30.4m Change vs. FY23: (45.4)%
Basic earnings per share	Adjusted³ diluted earnings per share
4.5p FY23: 30.4p Change vs. FY23: (85.2)%	18.0p FY23: 38.4p Change vs. FY23: (53.1)%

¹ Net debt defined as cash and cash equivalents, overdrafts and amounts drawn against the revolving credit facility ('RCF') including the costs of arranging the RCF (see note 5 to the financial statements).
² Comprising earnings (operating profit) adjusted for interest, taxation, depreciation and amortisation (see note 5 to the financial statements).
³ Adjusted for amortisation of acquired intangible assets and other adjusting items (see notes 15 and 20).

Our Markets

CONTENT
CREATION

Our mission is clear: to break down the barriers that hinder creativity. From beginners to pros, we empower creators with world-leading audio performance, innovative tech and intuitive design, enabling them to stay in a state of flow and bring their vision to life quickly.

With a diverse range of award-winning products and leading brands, Focusrite Group supports musicians and audio professionals everywhere – from hobbyists recording in their bedroom, through to iconic artists writing their next platinum selling album in the biggest commercial studios.

Our brands

Focusrite®
Audio interfaces with exceptional sound quality and award-winning support.



Focusrite® PRO
High-end audio solutions for commercial facilities, combining reliability and advanced features.



novation
Intuitive instruments and controllers for creating and performing electronic music.



AMPIFY
User-friendly music creation software with creative features and extensive sound libraries.



ADAM AUDIO
Precision German-engineered studio monitor speakers known for clarity and high-definition sound.



SEQUENTIAL
Legendary, high-end synthesizers with rich sound quality and iconic instruments like the Prophet series.



Oberheim
No-compromise analogue synthesizers with unparalleled vintage appeal and historical significance.



Sonnox
Audio processing software offering precision and innovation.



Market Size: £1,700-£2,000m

Casual Content Creators
£600-700m

Hobbyists seeking quick results and professional sound. They need intuitive tools to turn ideas into finished tracks.

Market sizing derived from Music Trades reporting on the US MI market, with an adjustment for Amazon, except for Studio Monitors and Audio Networking which are based on Management assessment.

Serious Music Producers
£600-700m

Dedicated creators with a regular music-making routine. They require gear that enhances their process and inspires new ideas.

Audio Professionals & Facilities
£500-600m

Professionals and commercial facilities demanding reliable, future-proof equipment that improves workflow and offers strong ROI.



Behind the world's
greatest artists

The world's greatest artists use our equipment, daily. Whether in the studio or performing live on the biggest stage, our products enable them to deliver.

FRED AGAIN
NOVATION

"Fred again.. & Anderson .Paak – places to be (Eagle Rock, 16th April 2024) feat Chika"
See video: bit.ly/novation_fredagain



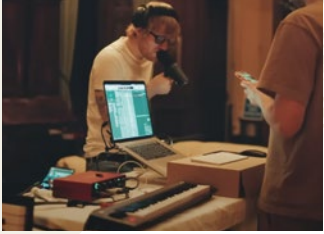
TAYLOR SWIFT
SEQUENTIAL

"Taylor Swift performs Love Story for the Teen Awards"
See video: bit.ly/sequential_taylorswift



ED SHEERAN
FOCUSRITE

"Ed Sheeran – Bad Habits [Official Studio BTS]"
See video: bit.ly/focusrite_edsheeran



Our products

Audio Interfaces:
Capture high-quality digital recordings.

Synthesizers:
Create a wide range of musical sounds and textures.

Audio Software:
Tools for creating, processing and editing music.

Keyboard & Pad Controllers:
Devices to control sound-generating equipment.

Grooveboxes:
Self-contained instruments for making electronic music.

Monitor Speakers:
Deliver accurate and detailed audio playback.

AUDIO REPRODUCTION

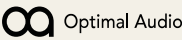
At our core, we're driven by a passion for transforming live performances into unforgettable experiences. Our cutting-edge sound reinforcement systems ensure that each pulsating beat and soaring melody resonates with every member of the audience.

From the challenges of massive outdoor stages to the intricacies of intimate immersive soundscapes, we're here to elevate every performance and bring artists' visions to life.

Our brands



Dynamic, high-quality live sound systems for any venue, engineered for excellence.



Seamless commercial audio solutions with intuitive setup and control.



Elite amplifiers and Digital Signal Processors (DSPs) delivering unmatched sound quality, control and power.



Pioneering immersive sound with advanced spatial and tracking solutions.



Robust rigging motor controllers and safety solutions.



Market Size: £3,800-£4,300m

Intimate Gigs and Hospitality £1,400-1,600m

Intimate gigs, corporate events, permanent installations into smaller nightclubs, houses of worship and hospitality venues.

Market sizing is based on Management assessment.

Auditoria and Theatres £1,600-1,800m

Medium-sized auditoria, theatres, houses of worship and nightclubs.

Arenas and Festivals £800-900m

Concerts and festivals of up to 100,000 people, superclubs, megachurches and large-scaled theatres or arenas.



Our products



Point source speakers

(<15m of throw): Loudspeakers projecting sound up to 15m, used for small gigs or installed in venues.



Constant curvature arrays

(15-30m of throw): Connected loudspeaker arrays for auditoria and theatres.



Line arrays

(>30m of throw): Loudspeakers connected in a line, with angled cabinets, projecting sound over 30m for concerts or large venues.



Digital Signal Processors (DSPs)

Devices that enhance audio signals for a better listening experience.



Amplifiers

Devices that boost the volume of audio signals for loudspeakers.



Immersive Audio Processors

Systems that create 3D sound fields for enhanced audio experiences.



Stage Rigging Control

Equipment for managing stage rigging in performances, concerts and other performance settings.



Powering the world's epic performances

Deployment of Martin Audio and Linea Research solutions across many of the world's biggest festivals and tours.

STAGECOACH



GLASTONBURY



COACHELLA



Market Trends

WE NEVER MISS A BEAT.

The audio and technology markets are fast moving. Those who don't keep up will fall behind. We're always listening to the market and having conversations with customers, ensuring we know what is happening and that we don't get blinkered by our own view of the world. We've built our business to be agile, allowing us to react to what we're seeing and hearing, and to do so in a relevant and timely way.



IMMERSIVE AUDIO

Overview

Consumer engagement with immersive audio is rapidly growing across live performances and recorded content. Increased investment in home immersive audio tech is fuelling demand for advanced content creation solutions, while the rising interest in live immersive experiences is boosting demand for capable audio reproduction systems.

Focusrite response

We provide cutting-edge solutions for immersive audio, including high-channel Focusrite interfaces, ADAM Audio monitors, Martin Audio and TiMax systems. Our gear supports the creation and enjoyment of immersive audio content, ensuring leading experiences in both production and live settings.

- Link to principal risk (page 34):**
- Business strategy
 - Product innovation



AI FOR MUSIC CREATION

Overview

The global generative AI in music market is rapidly growing, with many artists already using AI tools and expressing interest in adopting them for mixing and mastering in the future. AI-based tools are in demand for enhancing workflows and unlocking creative possibilities.

Focusrite response

We expect the growth of generative AI to increase, not reduce, the demand for our Content Creation solutions as they lower the barrier to entry for new creators while still driving the same needs for high-quality capture and sound-generation tools. We use AI within our products to improve workflow, not to replace human creativity. Our aim is to ensure customers can achieve their goals quickly while having full control over their output.

- Link to principal risk (page 34):**
- Business strategy
 - Product innovation

EASE OF USE AND ACCESSIBILITY

Overview

With more creators seeking instant results and less tech hassle, there's a growing market for brands that streamline creative processes. Increased focus on accessibility is driving tech improvements.

Focusrite response

We prioritise ease of use and have received strong, positive customer feedback across many of our products because of this. Designing for ease of use also lowers the barrier to entry for our products, and therefore extends their market opportunity. We're committed to accessibility, working with disabled musicians to enhance our products. Recent innovations include enhanced screen reader support and flexible software-hardware integration.

- Link to principal risk (page 34):**
- Product innovation



CHANGING ROUTES TO MARKET

Overview

Consumers continue to shift towards online purchases, causing high-profile store closures in the Musical Instrument (MI) industry. Resellers are reducing stock holdings, limiting responsiveness to demand. Customers also increasingly prefer to buy directly from brands, perceiving greater trust and quality.

Focusrite response

We continuously monitor and refine our market strategies, focusing on building a robust D2C platform that allows us to serve customers globally. We optimise our Direct to Reseller (D2R) and distribution channels, aiming to move closer to the end user where it is beneficial for us to do so.

- Link to principal risk (page 34):**
- Business strategy
 - Product supply
 - Macroeconomic conditions



SUSTAINABLE AND ECO-FRIENDLY PRODUCTS

Overview

Consumers increasingly favour brands with eco-friendly practices, and content creators are also leaning towards sustainable audio equipment. Manufacturers that adopt green practices will gain a competitive edge.

Focusrite response

We identified climate consciousness and circular economy trends as key opportunities. We are actively rolling out recycled materials into our products such as Scarlett 4th Gen and the new ADAM Audio H200 headphones. Our initiatives, including trade-in schemes, recycling programmes and commitment to set science-based targets, underscore our commitment to sustainability.

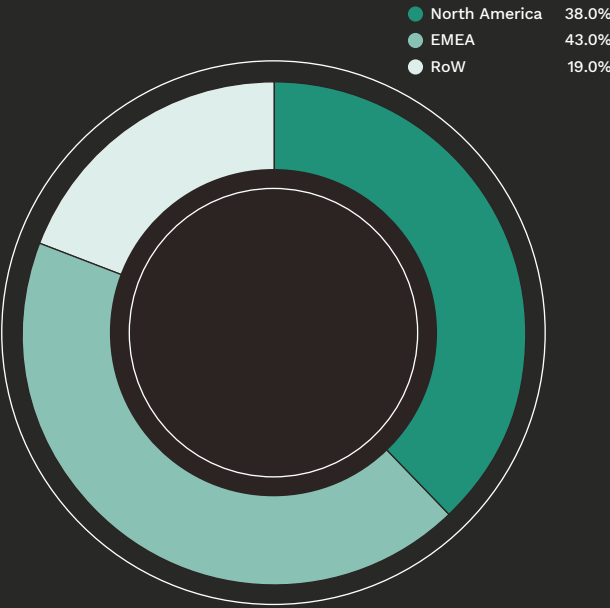
- Link to principal risk (page 34):**
- Product innovation
 - Climate change
 - Product supply

Where We Operate

SEVEN MILLION CUSTOMERS

Wherever there are creatives in the world, we are there to remove barriers for them. We have an unmatched global footprint and connection with local communities.

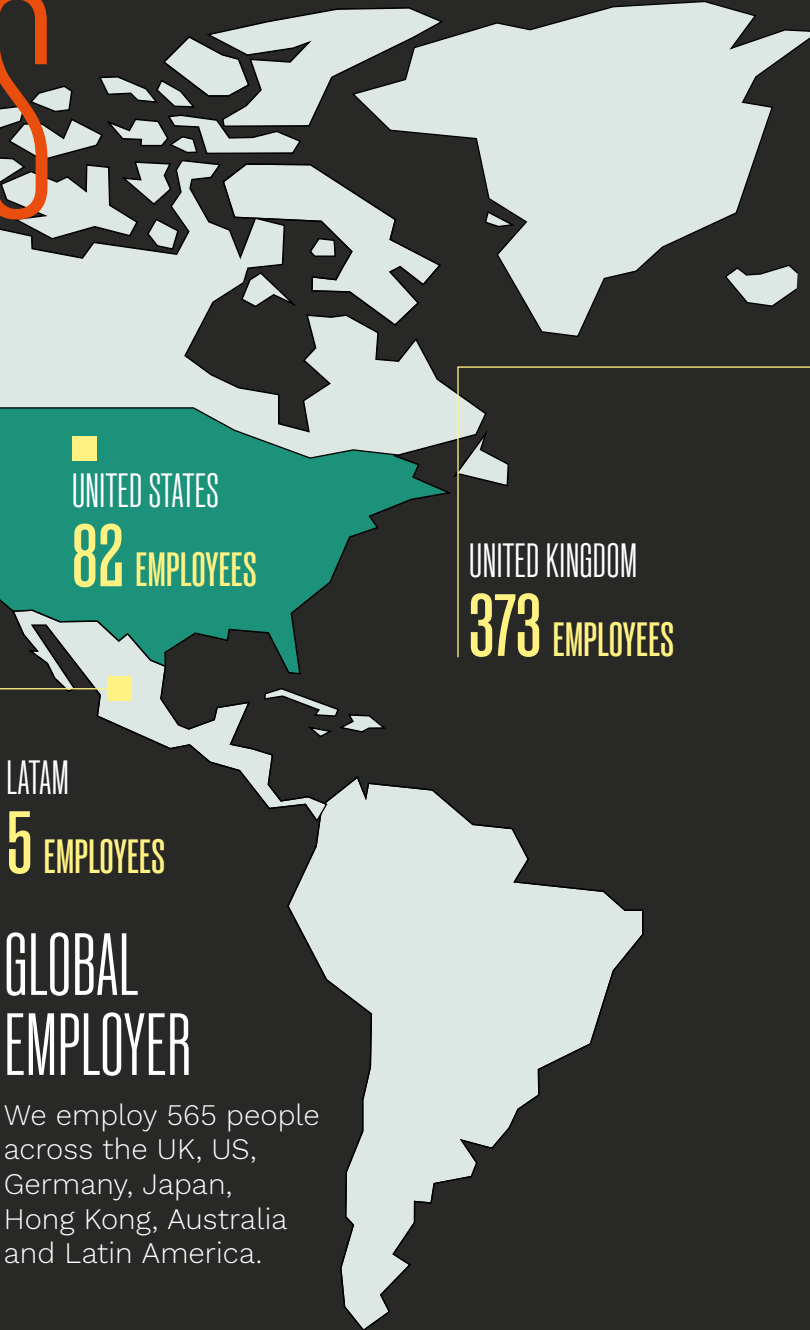
Diversified business – Revenue by geography %



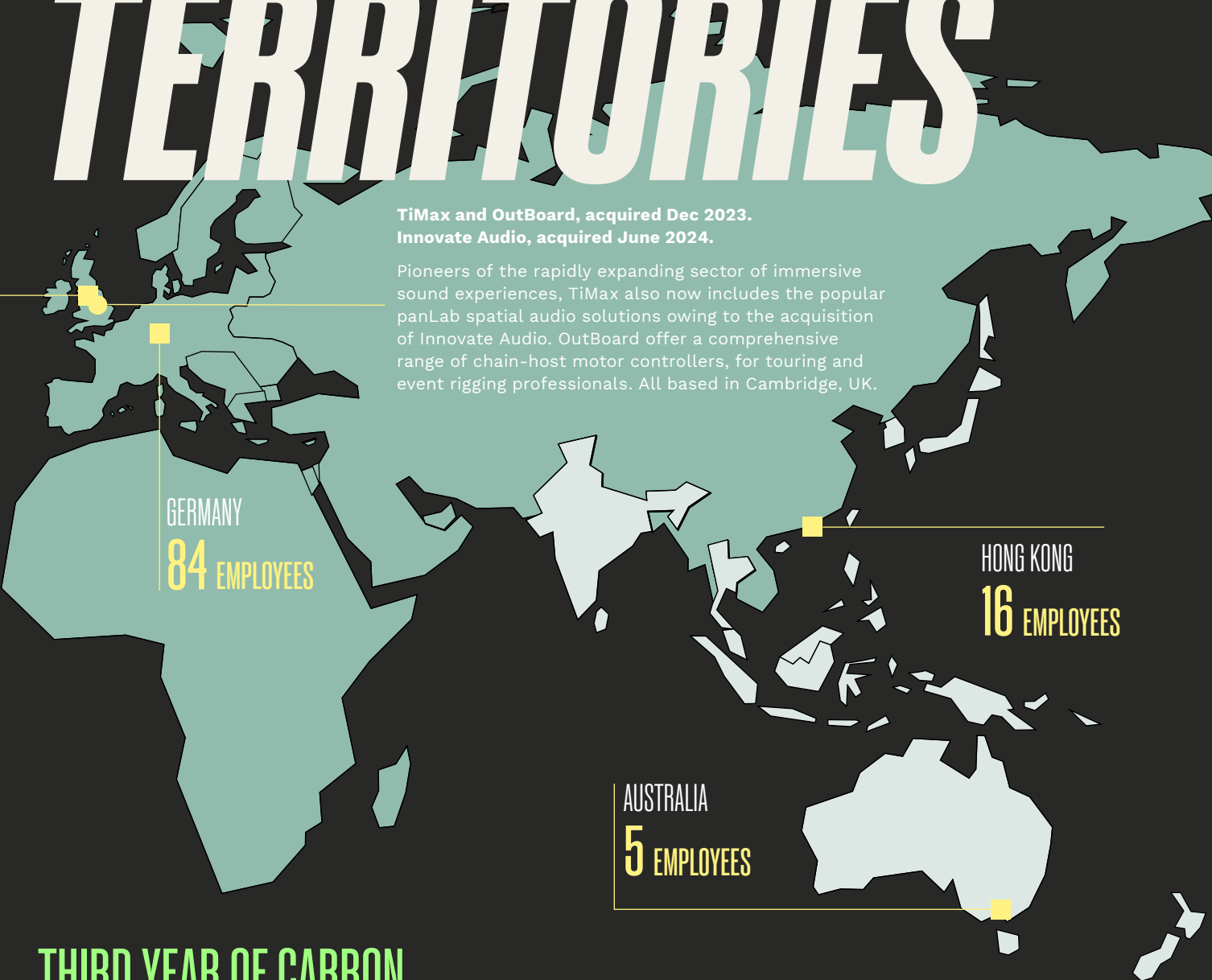
GLOBAL EMPLOYER

We employ 565 people across the UK, US, Germany, Japan, Hong Kong, Australia and Latin America.

Over 1 million physical products sold in FY24, and more than 2 million software downloads.



ACROSS 240+ TERRITORIES



TiMax and OutBoard, acquired Dec 2023. Innovate Audio, acquired June 2024. Pioneers of the rapidly expanding sector of immersive sound experiences, TiMax also now includes the popular panLab spatial audio solutions owing to the acquisition of Innovate Audio. OutBoard offer a comprehensive range of chain-host motor controllers, for touring and event rigging professionals. All based in Cambridge, UK.

THIRD YEAR OF CARBON NEUTRAL OPERATIONS

Offices are a very small portion of our total greenhouse gas ('GHG') emissions, but where we have most influence. We only purchase renewable energy in our offices where available, and since 2022 have used verified carbon offsets to achieve a Carbon Neutral status.

Recognised by our industry:

- Sonicstate Best of Superbooth 2024: Oberheim TEO-5
- Mondo PROJECT Award for ScotiaBank: TiMax SoundHub
- Installation Magazine ISE 2024 Best of Show: Optimal Audio WebApp/Zone
- Innovate Award for Best Audio Technology: Optimal Audio WebApp/Zone

Acquisition and Innovation Timeline

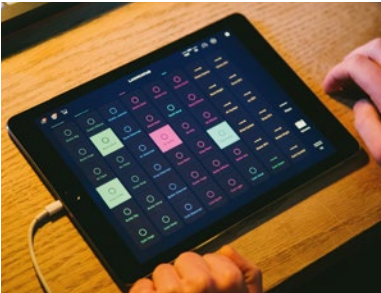
The Focusrite brand was established in 1985 by Rupert Neve, with the creation of a console at the request of George Martin, legendary Beatles producer, to serve high-end professional recording studios. Only ten of these advanced analogue recording consoles were ever made, and the few still in use today remain in high demand.



Ownership changed hands and came under the control of Phil Dudderidge, an industry veteran, who began to widen the range of products available that appealed to professional, commercial and hobbyist musicians.



Novation continued to develop its range of innovative products with the introduction of Launchpad, a midi controller, spawning a range of YouTube videos generating billions of views.



Ampify expands the Group's electronic music offerings into cross-platform software solutions which allow anyone to experiment with and create high-quality soundtracks, and are bundled with Novation and Focusrite hardware.

1989
2004

Focusrite Audio Engineering Limited acquired the **+ Novation Electronic Music Systems Limited** business, a market-leading British producer of keyboards, synthesizers and controllers, with products used by musicians globally.

The addition of the Novation brand further expanded the range of products and customers of Focusrite into the electronic dance music segment of the market.



2009
2012

The world was introduced to Generation 1 of the Scarlett 2i2. A revolution in the at-home recording studio movement, this allowed more users than ever before to access the tools to create professional music at home.



2014
2019

JULY 19
Saw the acquisition of **+ ADAM Audio GmbH**, a precision innovator in the field of professional monitoring and loudspeaker technology based in Berlin.



DECEMBER 19
+ Martin Audio Limited, the British, Buckinghamshire-based designer of high-performance loudspeaker systems for the touring and installation markets, joined the Group, expanding the Group's market to cover live and installed sound reproduction systems.



APRIL 21
Focusrite launched **+ Optimal Audio**, an initiative from Martin Audio, which aims to make the world of commercial audio installation less complex. Optimal Audio manufactures high-quality loudspeakers, amplifiers and controllers for commercial audio applications.



Focusrite plc acquired **+ Sequential**, the respected American synthesizer manufacturer led by legendary electronic instrument designer and Grammy winner Dave Smith.



2021

MAY 22
Focusrite acquired the rights to the **+ Oberheim** brand, the 21st century return of the legendary synthesizer manufacturer and the creator of the world's first commercially available poly synthesizer.



DECEMBER 22
Focusrite acquired **+ Sonnox** – creator of innovative, high-quality, award-winning processing software. Based in Oxford, UK, the company's wide range of audio applications includes mixing for music production, live sound, broadcast, TV and film, and even scientific and forensics projects.



2022



MARCH 22
Saw the acquisition of **+ Linea Research** – manufacturer of high-power amplifiers, Digital Signal Processors, audio networking and software products and a key supplier to Martin Audio. Headquartered in Letchworth Garden City, UK, Linea Research was formed in 2003 by a team of experienced professional audio specialists, and designs, develops, manufactures and markets innovative professional audio equipment globally.

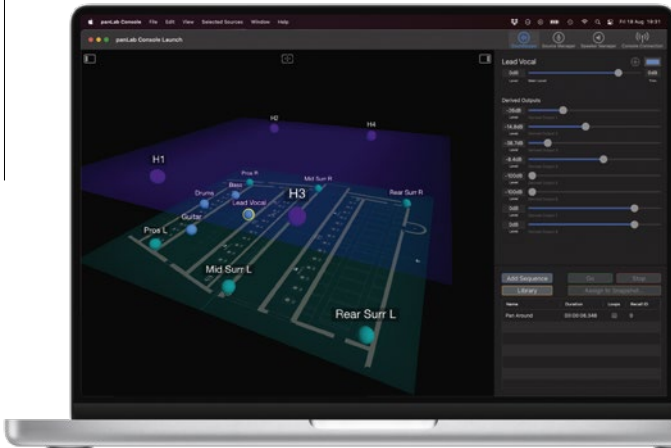
DECEMBER 23
Acquisition of Sheriff Technologies Limited, bringing **+ TiMax** and **+ OutBoard** brands into the Group. TiMax provides the most technologically advanced, industry-leading immersive sound solutions for live experiences. OutBoard offers a comprehensive range of robust rigging and motor control solutions for events, theatres, film/TV studios and more.



2023

2024

JUNE 24
+ Innovate Audio, leaders in control software for live immersive audio applications, acquired by Focusrite. Now operating under the TiMax brand, Innovate Audio's panLab software will combine with our existing product portfolio.





EXPANDING OUR EXPERTISE IN IMMERSIVE SOUND

TiMax, OutBoard & Innovate Audio Join Focusrite Group

In December 2023, Focusrite Group acquired Sheriff Technologies, the company behind two key brands in the immersive sound and rigging motor control markets: TiMax and OutBoard. This was followed in June 2024 by the acquisition of Innovate Audio, whose cutting-edge panLab suite for immersive audio will now enhance the TiMax offering.

These strategic acquisitions, amounting to £3.0 million for Sheriff Technologies and Innovate Audio, significantly expand our presence in immersive sound and live performance technologies, positioning us to capitalise on the growing demand for immersive experiences.

With TiMax and OutBoard’s advanced solutions already trusted in top venues across Broadway and festivals such as BST Hyde Park, being part of the Group, these technologies can now be introduced to a global audience. Integrating TiMax, Innovate Audio and Martin Audio products further positions Focusrite as a powerhouse in experiential immersive audio, advancing our mission to enrich lives through exceptional audio experiences.



TiMax is a pioneer in immersive sound technology. We provide authentic panoramic spatial imaging, meaning wherever the performers are positioned or move on stage, the sound follows. Now operating under the TiMax brand, **Innovate Audio**’s panLab software combines with our existing product portfolio to offer the most comprehensive range of solutions available.



OutBoard specialises in motor controllers for stage rigging, lifting and moving loudspeakers, lights and scenery. Think of it as the hands that set the stage, ensuring everything is in place, safely and efficiently.

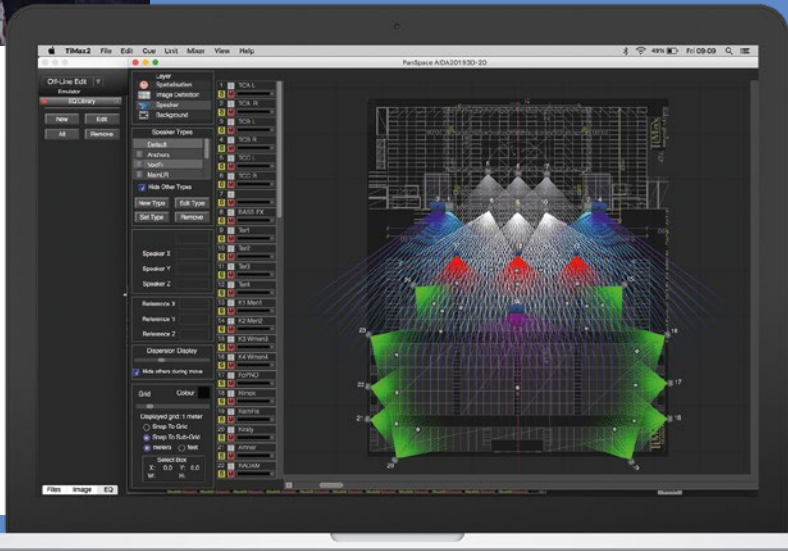


We’re delighted to have joined such a passionate and supportive Group with the pedigree and imagination of Focusrite. The new arrangement is ideal to help our exceptionally powerful TiMax products ride the current immersive wave into new and diverse applications and territories and assures confidence for future developments in existing core markets.

Robin Whittaker and Dave Haydon, Co-Founders of TiMax

What is Immersive Audio?

Immersive audio better connects the audience with the content. It’s a way of making sound feel like it’s all around you, not just coming from speakers in front of you. In live performances and theatres, it helps create a more realistic, enveloping and exciting experience, positioning the audience in the middle of a scene or new environment.



Our Business Model

What sets us apart

Inputs

- Product design and innovation**
Dedicated brand teams based on site in UK, Germany and the US leveraging customer insight to create market-leading products.
- Scalable and efficient manufacturing**
Over 70% of the Group's products are made through long-standing relationships with contract manufacturers in China, Malaysia and the US. On site manufacturing in the UK and Germany further supports the ADAM Audio, Martin Audio and Linea Research brands.
- Brand reputation and intellectual property**
The history and product quality of Focusrite has built a strong brand reputation over the years, protected by patents, trademarks and copyrights for our proprietary technology.
- Talent and expertise**
Across the Group, our teams are passionate about our products and the experience we can deliver to customers. Our management teams bring years of industry experience, and an in-depth understanding of our markets.
- World-class customer service**
We provide an intuitive out of box setup experience, supported for our Content Creation brands, by global 24/7 customer care throughout the year.
- Financial strength**
We have a strong balance sheet, with low gearing and a record of cash generation, supported by bank facilities in place for the next four years.

Routes to market

CONTENT CREATION

Through distribution:
Partnerships with key distributors in more complex territories, who then manage sales in the channel to smaller resellers.

Direct to resellers:
In targeted markets, we act as our own distributor. This is currently in place across the UK, Germany and related European markets as well as Australia.

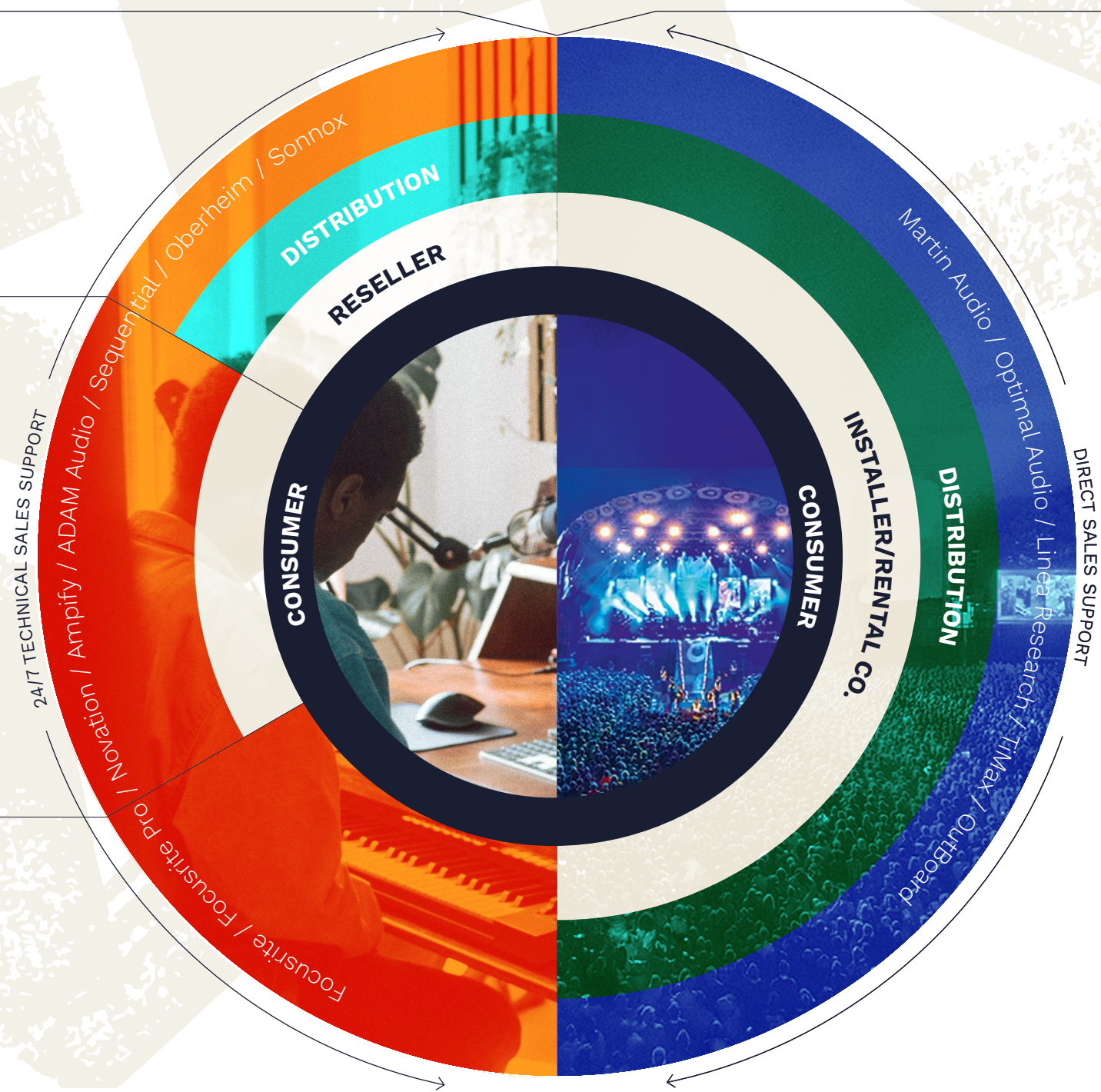
Direct to consumer:
Our brands have eCommerce sites supporting global shipments direct to consumer.

AUDIO REPRODUCTION

Through distribution:
Our Audio Reproduction teams partner with distributors across the world. A direct sales team supports the sales process to rental and installation companies, assisting with a complex design for a cruise ship or large place of worship.

This results in a pipeline of orders phased for delivery up to the next 18 months.

We work with sales partners across 240 territories supported by in-house teams driving mass awareness through social and other media channels.



Outputs





- Customers**
Access to cutting-edge professional-grade technology that enables them to enhance their creative process, or deliver outstanding sound reproduction to their customers.
- 70**
Net Promoter Score ('NPS')
- Employees**
A great place to work, where people feel they are welcome, safe and positively represented, with opportunities to develop their skills and career.
- 33**
Employee Net Promoter Score ('eNPS')
- Shareholders**
Value is generated through our strong financial delivery and growth opportunities in a vibrant market sector and track record of progressive dividend growth.
- 15.5%**
CAGR dividend growth (FY15 to FY24)
- Suppliers and distribution partners**
We are a reliable and ethical partner that is easy to do business with. Suppliers and distributors benefit from collaborative partnerships which can lead to consistent business and revenue streams for them.

Our purpose To remove barriers to creativity, allowing anyone to create great-sounding audio.

Our planet Incorporating sustainable practices in business operations positively impacts the environment promoting eco-friendly manufacturing and reducing the Group's carbon footprint.

Our Strategic Framework

The foundation of our growth strategy, while constantly evolving, remains fundamentally unchanged: creating a great place to work, continuing investment to grow our core products, expanding into new market opportunities and focusing on lifetime value for our customers continues to be a winning formula for the Group.

Growth Drivers	Our Strategy	Activities in FY24	KPIs	Priorities for the next period
<div></div> <div>Creating a great place to work</div>	Creating a listening and inclusive organisation to allow our people to develop and succeed.	Diversity & inclusion – supporting inclusion within our industry and workplaces. Flexible working – creating welcoming office spaces to support hybrid working. Clear career paths – providing development programmes to enable our staff to succeed.	eNPS <div>33</div> <div><div>202433</div><div>202321</div></div>	<p>Update our global Diversity & Inclusion programme, with a focus on employee-led initiatives and programmes.</p> <p>Ongoing regular Global Engagement surveys, driving local departmental engagement plans.</p> <p>Continued support of return-to-work programmes across all our brands, allowing for greater collaboration across departments.</p>
<div></div> <div>Growing the core</div>	Creating a robust product pipeline through our ongoing investment in R&D, driving growth in existing markets and supporting further market penetration for our newer brands.	<p>Ensuring current ranges maintain market-leading positions through regular refresh – approximately 3-4 years for most ranges.</p> <p>Developing new products to complement existing ranges.</p> <p>Extending ranges to provide the best choice and products for our customers.</p>	Number of registered core users <div>5.71m</div> <div><div>20245.71m</div><div>20235.24m</div><div>20224.73m</div></div>	<p>A focus on collaboration across brands where appropriate to drive innovation, bringing together expertise from Sonnox and Focusrite, and Novation and Sequential to design product roadmaps.</p> <p>Build out the Oberheim brand with new products and modules.</p> <p>Further expansion and development of the Audio Reproduction range, leveraging from Linea Research’s technology and the addition of TiMax and panLab suite of products.</p>
<div></div> <div>Expanding into new markets</div>	Expansion both geographically and into complementary product sectors.	<p>Localisation through a simpler go to market approach, bringing us closer to our customers.</p> <p>Expansion into new markets both organically through our product innovation teams and through targeted acquisitions.</p>	Total addressable market <div>£6.3bn</div> <div><div>2024£6.3bn</div><div>2023£5.5bn</div><div>2022£5.0bn</div></div> <p>Source of Market Information: US Music Trades information and management estimates.</p>	<p>Now recognised as a friendly home for high-quality professional audio brands, we have an active pipeline of potential future acquisitions.</p> <p>We constantly review our approach in key markets to ensure we are working with the best partners and are leveraging from our own infrastructure where relevant.</p>
<div></div> <div>Focusing on lifetime value for our customers</div>	Our products are supremely easy to use and are supported by world-class customer service and support.	<p>Unified global support teams providing follow-the-sun support for all our Content Creation brands.</p> <p>A focus on ease of use throughout the design and engineering process.</p> <p>Experienced technical sales teams in Audio Reproduction helping our customers set up and design in our systems.</p>	Net Promoter Score <div>70</div> <div><div>202470</div><div>202370</div><div>202271</div></div>	<p>Leveraging from the skillset and experience of Focusrite to bring our understanding of the customer journey across our other brands.</p> <p>Further extending our support teams to provide global 24/7 support across all our Content Creation brands.</p> <p>Further personalisation of customer journeys.</p>

Chairman’s Statement



Phil Dudderidge
Non-Executive Chairman and Founder

REMOVING
BARRIERS TO
CREATIVITY

Our brands, most notably Focusrite, are still leading in their product categories, with Focusrite believed to be the dominant brand globally in audio interfaces.



The great success story for 2024 has been the Audio Reproduction division. Having acquired Linea Research, its amplifier supplier based in Letchworth, Hertfordshire, Martin has gone from strength to strength.

Following outstanding performance during the pandemic in the Content Creation division that includes the Focusrite, Novation and ADAM Audio as well as the more recently acquired Sequential, Oberheim and Sonnox brands, we have experienced a significant market contraction which is reflected in a reduction in Group revenues and profit. However, notwithstanding this, we experienced excellent growth in the Audio Reproduction division that contains Martin Audio, Linea Research and the recently acquired TiMax and OutBoard brands from Sheriff Technology Ltd. That said, ADAM Audio is recovering, with very positive growth of established models in FY24 and has recently added new desktop-size speakers and the first of a new headphone range. The emergence of Dolby Atmos for Music is also creating a renewed interest in new multiple-speaker solutions for recording studios large and small.

Notwithstanding the market contraction that has affected all brands that address the music creation market globally, it has to be noted that our brands, most notably Focusrite, are still leading in their product categories with Focusrite believed to be the dominant brand globally in Audio Interfaces priced below \$500, with significant market share. To support this leading position, the Group has consistently invested in long-term manufacturing commitments with its manufacturing partners in China and Malaysia. This has enabled us to meet peaks in demand, notably during the pandemic, but has resulted in larger than desired inventories in the sales channel of our most popular products during the year as pandemic-related demand subsided. These are being reduced over time and are expected to be utilised. There is a determined policy by the Board to ensure that the balance sheet is rebalanced and return to a positive cash position.

The great success story for 2024 has been Martin Audio and the Audio Reproduction Division. Having last year acquired Linea Research, its amplifier supplier based in Letchworth, Hertfordshire, Martin has gone from strength to strength. During the pandemic Martin pivoted to supplying permanent installations of loudspeakers in venues that took advantage of being “dark” to refurbish and re-equip.

Once touring and festivals resumed, the traditional Martin customers that provide sound systems for such events needed to re-equip having in many cases sold off their inventories to maintain cashflow during their dark period, Linea has since doubled its monthly output levels to meet Martin and third-party demand. Installation continues to be an important market globally, from auditoria to houses-of-worship, nightclubs and bars. Importantly Martin Audio systems are the preferred solutions for BST Hyde Park and Glastonbury having long-term proven superiority in both reproduction and control (i.e. avoiding sound reaching sensitive, residential areas). The recent acquisition of TiMax enables Martin to offer a complete solution for Immersive Audio. This is a relatively new but important branch of Audio Reproduction that features in Opera, Drama and Experience events.

At the heart of our strategy is the commitment to removing barriers to creativity, enabling artists and professionals alike to deliver high-quality audio. This year, we launched 35 new products, further strengthening our market position across key categories. Our continued focus on research and development, coupled with targeted M&A activity, has ensured that we remain at the forefront of the rapidly growing immersive audio market. The acquisitions

of Sheriff Technology and panLab have expanded our Audio Reproduction portfolio, enhancing our offerings in immersive sound technologies, which we believe will be a significant growth driver in the coming years.

Our financial position remains strong, despite the challenging environment. We have maintained low gearing, strong cash generation, and a robust balance sheet, supported by our long-term bank facilities. We are confident that the investments we have made this year will lay the groundwork for sustained growth, particularly as market conditions stabilise in the Content Creation sector.

Despite the current challenges, we are excited and positive about the outlook for the Group, each division is well-managed with strong brands and excellent products, the executive team are well on top of the challenges at both Group and operating levels, and investment for the future, i.e. in product development and systems (IT and financial), is robust, all of which we are confident will lead to growth and financial success when market conditions permit.

Phil Dudderidge
Non-Executive Chairman and Founder
27 November 2024



CEO's Statement

How we ENRICH LIVES through MUSIC

Tim Carroll
Chief Executive Officer



“

Despite a difficult backdrop throughout the year, our brands remained market leaders, maintaining relative market share levels.”

-19.1%

Content Creation revenue decline vs. FY23

14.9%

Audio Reproduction revenue growth vs. FY23

Introduction

I am pleased to report on our results for the year ended 31 August 2024 and to share with you some commentary on the Group's experiences over this year.

In summary, FY24 presented both challenges and opportunities. We experienced softness in the Content Creation market, primarily due to ongoing inflation impacting consumer confidence and channel de-stocking. However, we took proactive steps to address these issues and launched significant new products which will drive future growth. Our Audio Reproduction segment delivered strong results, reflecting our strategic focus on immersive audio technologies. Our acquisitions, combined with a focus on innovative product development, have strengthened that division, driving notable growth despite the broader market conditions.

Our two divisions, Content Creation and Audio Reproduction, have both had a highly productive year, with numerous new product launches and updates leading to increased market share in key product groups. Continued macroeconomic trends, including cost-of-living pressures, rising freight charges, and component price increases, have remained a challenge throughout the year, most notably impacting Content Creation. The industry is now just beginning to see some stabilisation after two years of uncertainty as a consequence of a significant retraction from the post-pandemic spike.

The Group is dedicated to gaining valuable insights from our customers, actively collecting data during their onboarding and user journeys as they engage with our products. We closely monitor Net Promoter Scores ('NPS'), which serves as a key performance indicator ('KPI') across all our businesses. Additionally, we combine our proprietary data with industry market sources to ensure that we consistently stay attuned to our customers' evolving needs and purchasing behaviours. These efforts have enabled our products to outperform the market, with increased share in key categories.

Our Audio Reproduction division has continued to grow this year, seizing more opportunities with our expanded and diversified product portfolio, against a backdrop of strong demand for live and installed sound systems. Both acquisitions made during FY24 were in the Audio Reproduction space and have performed well.

The Group's R&D efforts resulted in the launch of 35 new products, alongside 53 updates to existing products and 53 content releases during the fiscal year.

Additionally, we have continued to refine our go-to-market approach. Most notably, this past year we took our Linea Research and Optimal Audio business from distributor to direct-to-retailer in the US and established a local team in Japan for our Content Creation business.

Our employee base, which now totals 565, consists of a remarkable group of passionate professionals, including musicians, DJs, audio engineers, live sound experts, and podcasters/streamers. We are fortunate to have employees who actively use our solutions in real-world scenarios, contributing their experiences, feedback and technical expertise. We continue to invest in our people and, wherever possible, promote from within, which resulted in several employees stepping into larger roles this year. Additionally, we continue to seek and attract top global talent to further enhance the Group.

Our Group structure

The Group is structured into two core divisions with 13 brands, supported by dedicated regional sales teams and common Group functions.

Our primary locations are in the UK (High Wycombe, Letchworth, Oxford, and London), Germany (Berlin), Hong Kong, Australia (Melbourne) and the US (Los Angeles, Nashville, and San Francisco).

Additionally, the Group maintains a proactive approach to M&A, carefully evaluating potential acquisitions that not only enhance earnings but also expand our reach into existing and new markets, while boosting our R&D capabilities. This past year saw two strategic additions to the Group through M&A: Sheriff Technologies, which includes TiMax and OutBoard, and Innovate Audio, which includes panLab software. Both of these acquisitions have expanded the Group's opportunity base within the growing immersive sound segment, which is outlined in more detail in the case study on pages 14 to 15.

FY24 continued to be a challenging period for our industry, with many sources reporting significant declines across several of the Group's categories. The diversity of the Group's portfolio, along with strong product introductions and market-leading brands, helped mitigate many of these headwinds. The Content Creation segment has struggled to stabilise post-pandemic, facing numerous macroeconomic challenges. Inflation, price increases in freight and components, and a bloated channel across all categories created a difficult backdrop throughout the year. However, our brands remain market leaders, maintaining relative market share levels which stands us in good stead when markets improve.

CEO’s Statement continued

Operating Review

	12 months to 31 August 2024 £'000	12 months to 31 August 2023 £'000	Reported Growth %	OCC Growth¹ %
Revenue from external customers				
Focusrite	60.3	86.3	-30.2	-28.2
Novation	16.2	16.6	-1.9	0.6
ADAM Audio	22.6	18.5	22.2	25.5
Sequential	9.7	14.5	-33.1	-31.2
Sonnox²	2.0	1.1	81.8	8.6
Content Creation	110.8	137.0	-19.1	-17.4
Audio Reproduction	47.7	41.5	14.9	14.4
Total	158.5	178.5	-11.2	-10.0

1 Organic constant currency ('OCC') growth rate is calculated by comparing FY24 revenue with FY23 revenue adjusted for FY24 exchange rates and the impact of acquisitions.

2 Sonnox revenue included for eight months in FY23 from December 2022.

In contrast to the Content Creation environment, Audio Reproduction experienced growth as the industry continued to recover from the years of depressed demand during the pandemic. Thanks to the Group’s investments in Audio Reproduction over the past four years, our offerings in this space are now the most comprehensive they have ever been, enabling us to capitalise on and win many more opportunities than in previous years.

We describe Content Creation as the process and technologies used to create audio. Our Content Creation brands are utilised by artists to produce professional-sounding audio for individual enjoyment through to professional content created for a wider audience across a variety of mediums. The brands in this category had mixed performances over the year: Focusrite and Sequential faced challenges, but this was partially offset by strong performances from ADAM Audio and Sonnox, resulting in a 19.1% decline (17.4% on an organic constant currency basis) year over year.

Content Creation top-line revenue declined year over year in all regions. North America and APAC witnessed the biggest declines. The decline in APAC was primarily due to ongoing softness in China, as reported across trade publications and other companies within this space. In North America, while sell-through to end-customers remained in-line with the previous year, the decline was driven by industry-wide channel de-stocking, which persisted throughout the year.

In contrast, Europe, Middle East and Africa ('EMEA') experienced a relatively low decline compared to the prior year,

Content Creation

Content Creation	12 months to 31 August 2024 £m	12 months to 31 August 2023 £m	Reported Growth %	OCC Growth¹ %
North America	49.3	65.0	-24.2	-21.7
EMEA	47.7	52.9	-9.8	-9.3
ROW	13.8	19.1	-27.7	-26.1
Total	110.8	137.0	-19.1	-17.4

1 Organic constant currency ('OCC') growth rate is calculated by comparing FY24 revenue to FY23 revenue adjusted for FY24 exchange rates and the impact of acquisitions.

with most regions and partners performing well. The exception was one continent-wide reseller who negatively changed their inventory holding policy very late in Q4 affecting the entire category.

Focusrite, being the largest business unit in this category, continued to be impacted by this high level of channel de-stocking and lower market demand, largely attributed to cost of living pressures and inflation as well as resellers and distributors seeking to reduce working capital. Revenue was further impacted by a targeted reduction of stock in our US sales channel and a decision made close to year end by one of our major global distributors to reduce stocking levels. However, Focusrite’s end user sales rankings and market share with top resellers remained strong and, in some cases, even increased throughout the year, highlighting the overall strength of the Focusrite brand, even in a difficult market.

Focusrite/Focusrite Pro branded solutions include the Scarlett, Clarett, Vocaster, Red, and RedNet range of audio interfaces.

The **Scarlett** range, focused primarily on the home studio customer, continues to dominate the market, maintaining its leading global market share. As previously reported, the Scarlett range underwent a major product transition late in the second half of FY23, at a time when the global channel was still heavily overstocked across almost all categories. The launch of the 4th Generation Scarlett Solo, 2i2, 4i4, and related bundles was announced at the end of August 2023 to industry-wide acclaim for the new features and specifications. However, due to the industry-wide slowdown and channel overstock mentioned earlier, the Group had to undertake additional promotions on the older 3rd generation stock to reduce inventory levels, much of which occurred in the first half of FY24, particularly over the Thanksgiving and Christmas holiday periods.

The Group has now successfully wound down the majority of channel and Group inventory of 3rd generation products, although this did impact the sell-through of 4th generation products in the first half of the year, especially during the holiday season when more price-conscious customers tend to dominate. Currently, there is minimal channel inventory remaining of 3rd generation products, with the Group holding a small amount, as planned, to sell as B stock through our direct-to-customer website.

Focusrite’s Red and RedNet solutions continue to be industry standards for professionals and facilities that require reliability and quality in complex workflows. These solutions are used in live and on-air broadcasts, including the US Super Bowl and Presidential debates, as well as in many professional studios, especially for post-production and music production rooms with immersive mixing capabilities.

Novation/Ampify branded products are a collection of hardware and software solutions dedicated to the art of electronic music. These products, like Focusrite’s, cater to a wide range of customers, from beginners to professional electronic music makers. This category continued to experience softer demand across the industry, however Novation revenue grew on an organic constant currency basis, due to a revitalised marketing programme across social media and the launch of new products. At the end of this past year, we debuted the new Launchkey MK4 controllers, setting a new benchmark for MIDI controllers and integration capabilities with any software

Ampify, our freemium software, continues to be an excellent vehicle for attracting new customers.

ADAM Audio had a strong year of growth, with revenue increasing 22.6% (25.5% OCC basis) compared to the prior year, bucking the industry-wide trend of declines in this category. This success is primarily attributable to the Group’s execution of our route-to-market strategy, with ADAM moving to the same distribution network as Focusrite/Novation in many regions. This shift brought increased focus and awareness to the brand, and we believe ADAM has increased its market share compared to the prior year, despite the challenging environment.

Audio Reproduction

Audio Reproduction	12 months to 31 August 2024 £m	12 months to 31 August 2023 £m	Reported Growth %	OCC Growth¹ %
North America	11.4	12.7	-10.2	-6.8
EMEA	19.2	16.6	15.7	10.8
ROW	17.1	12.2	40.2	40.6
Total	47.7	41.5	14.9	14.4

1 Organic constant currency ('OCC') growth rate is calculated by comparing FY24 revenue to FY23 revenue adjusted for FY24 exchange rates and the impact of acquisitions.

The Group’s Audio Reproduction brands – **Martin Audio, Optimal Audio, Linea Research, TiMax, panLab** and **OutBoard** – are focused on delivering state-of-the-art audio to audiences across a wide spectrum of stages.

The largest music festivals, renowned theatres, music halls, nightclubs, houses of worship, universities and stadia rely on our solutions to ensure a rich and memorable experience.

Whilst a larger portion of the revenue came from the lower-priced T Series this past year, the new A Series solutions have been well received in the professional market. Many customers are choosing these products for upgrading their rooms to new immersive mixing formats, such as Dolby Atmos. Towards the end of the year the launch of a new range of desktop speakers and the first of a new headphone range further supported sales growth in the year.

Sequential and **Oberheim** faced another very challenging year. Global industry reports indicated the synthesizer category was down significantly this past year, particularly for higher-priced products, such as those offered by Sequential and Oberheim. This has resulted in a £5.4 million impairment of the Sequential acquired assets, as a result of the lower base from which future growth is planned. The brand remains profitable and much of the focus this past year has been on innovation in lower-priced synthesizers, which are showing much more stable demand. To that end, Sequential debuted the TEO-5 in April 2024, with shipments occurring in the final months of the year. This new synthesizer has become an instant hit, and demand remains strong.

Sonnox was acquired by the Group in December 2022, and the group has benefitted from a full year in FY24, as well as from greater product awareness due to cross-promotional activities with Focusrite.

Sonnox’s suite of plug-ins is designed for both hobbyists and professionals, greatly enhancing audio recordings and delivering a highly professional result. As a pure software business, the portfolio is sold through a select group of global resellers, as well as direct to end users. Additionally, the Sonnox development team has been working closely with both the Focusrite and ADAM Audio development teams on a number of new products, including the headphones launched in the final quarter of the year.

Content Creation summary

The Content Creation market has faced a very challenging few years post-pandemic, however signs of stabilisation are now just beginning to emerge. The Group has met these challenges head-on, making significant progress in reducing both channel and internal inventories, introducing a number of product refreshes and major new offerings, and maintaining top sales rankings in our major categories.

We continue to refine our routes to market and invest in our own e-commerce platform, which has demonstrated solid growth over the past year. Whilst the economic outlook remains uncertain, particularly concerning key factors such as inflation and the cost of living pressures, we are confident that our brands will continue to outperform the market with product registrations remaining stable. As these conditions improve, we expect to capture a large share of the market upturn.

CEO’s Statement continued

Our **Martin Audio** products are seen and heard at some of the world’s largest music festivals and tours, as well as many of the most prestigious music halls and theatres globally. After a major release year in FY23, Martin Audio introduced two new offerings in FY24: the TH series of loudspeakers and the iK41 power amplifier.

The TH series is a high-performance line of loudspeakers, ideal for clubs and medium to large-scale installations, while the iK41 expands Martin’s amplifier range for larger venue speaker ranges, and other select systems.

Linea Research, one of the Group’s 2022 acquisitions, manufactures professional-grade amplification for a variety of live sound settings. Linea Research had another strong year, with production ramped up to double the output of amplifiers compared to previous years. This success contributed significantly to Martin Audio’s success, as many of their powered offerings use Linea Research amplification. Linea Research also continued to sell its amplifiers as OEM products to external customers worldwide.

Optimal Audio, the Group’s commercial audio brand, focuses on delivering high-quality sound to a wide range of commercial installations. Optimal Audio has become popular with system integrators for installations in restaurants, gyms, smaller clubs and universities.

With 18 new releases this past year and a suite of products to fit commercial audio requirements of any size, Optimal Audio experienced a strong year of growth, with the pipeline expanding as system integrators globally began specifying Optimal Audio in their bids.

Audio Reproduction Summary:

The Audio Reproduction market continues to flourish post-pandemic, a testament to the global appreciation for live music and events with pristine audio quality. All industry data points to the market normalising over the coming year, as the large pent-up demand that built up during the lockdown begins to unwind. While many sources predict flat demand for the upcoming year, we believe that with the expanded scale and reach of the Group’s audio reproduction portfolio, we will outperform these forecasts.

Routes to market

Content Creation

Our Content Creation brands are sold worldwide through a network of distributors and resellers which specialise in music technologies, as well as through our own direct-to-customer websites. The global route-to-market footprint for our Content Creation brands has changed dramatically over the past few years. Our efforts to form consolidated sales and marketing teams across the Americas, EMEA, and APAC regions have had a profound impact on the leverage and focus we receive from our global partners.

For our acquired brands, such as ADAM Audio and Sequential, the Group has been transitioning distribution in some markets to align all of our Content Creation brands with top distributors in those areas. Additionally, we have seen significant growth in our reseller-direct and key accounts across both EMEA and APAC. As mentioned previously, our direct-to-end-user segment has experienced solid growth, driven by the investments the Group has made in IT infrastructure and the integration of brands and e-commerce websites.

Audio Reproduction

Our Audio Reproduction brands operate globally through system integrators, rental companies and pro-audio specific resellers. As with our Content Creation division, the route-to-market for the Audio Reproduction division has also undergone changes. Most notably, this past year we have taken our Linea and Optimal Audio business on to a direct-to-dealer model in the US, bringing us closer to our end users and improving gross margins.



Group summary and outlook

FY24 presented both challenges and opportunities. We experienced softness in the Content Creation market, primarily due to inflation impacting consumer confidence and channel de-stocking. However, we took proactive steps to address these issues and launched significant new products which will drive future growth when market conditions improve. Within Content Creation our underlying end-user registrations were stable over the prior year, indicating ongoing robust demand for our products across all channels. Our Audio Reproduction segment delivered strong results. Recent acquisitions, combined with a focus on innovative product development, have strengthened our Audio Reproduction division, driving notable growth despite the broader market conditions.

The Group has new product launches planned for the coming year, which will further strengthen our brand positioning. Additionally, the Group has once again demonstrated its ability to execute on its proactive M&A strategy and we continue to carefully consider acquisitions that not only enhance earnings but also expand our market potential, boost our R&D capabilities, and add both scale and dynamism to our business.

We remain mindful of the significant global economic and political challenges, as well as ongoing cost pressures, particularly in logistics and the supply chain. Consequently, we continue to manage costs carefully, whilst making appropriate investment, and focus on improving gross margins where there is the opportunity to do so.

Trading in the first three months of the current financial period is in line with expectations. We will continue to execute on our strategy and, in doing so, we remain optimistic about the Group’s future growth prospects.

Tim Carroll
Chief Executive Officer
27 November 2024

Financial Review



Sally McKone
Chief Financial Officer

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FY24 brought continued challenges, however, the diversity of the Group’s portfolio helped offset these headwinds, with strong growth in Audio Reproduction and the successful launch of new products.

DIVERSE SOLUTIONS PROVIDING
STRENGTH

2024 is both the 35th anniversary of the Group’s beginning and the tenth since listing on the London Stock Exchange. Our heritage and global brand strength leave us well positioned in challenging markets.

Overview

With ongoing challenges in the global Content Creation market, the Group has experienced a revenue decline of 11.2%. Additionally, gross margin was impacted by a one-off provision and heightened freight rates, leading to a 34.6% reduction in adjusted EBITDA. This resulted in a decline of 53.1% in adjusted diluted earnings per share (EPS).

Income statement

	2024 £m Adjusted	2024 £m Non-underlying ¹	2024 £m Reported	2023 £m Adjusted	2023 £m Non-underlying ¹	2023 £m Reported
Revenue	158.5	–	158.5	178.5	–	178.5
Cost of sales	(88.0)	–	(88.0)	(93.7)	–	(93.7)
Gross profit	70.5	–	70.5	84.8	–	84.8
Administrative expenses	(45.3)	(0.1)	(45.4)	(46.2)	(1.7)	(47.9)
EBITDA	25.2	(0.1)	25.1	38.6	(1.7)	36.9
Amortisation of intangible assets	(5.7)	(10.8)	(16.5)	(5.5)	(4.4)	(9.9)
Depreciation of tangible assets	(2.9)	–	(2.9)	(2.7)	–	(2.7)
Operating profit	16.6	(10.9)	5.7	30.4	(6.1)	24.3
Net finance expense	(3.2)	–	(3.2)	(1.6)	–	(1.6)
Profit before tax	13.4	(10.9)	2.5	28.8	(6.1)	22.7
Income tax expense	(2.7)	2.8	0.1	(6.2)	1.3	(4.9)
Profit for the period	10.7	(8.1)	2.6	22.6	(4.8)	17.8

¹ Non-underlying costs and income as defined in note 5 and note 15 to the Group financial statements.

Revenue

Revenue for the Group decreased by 11.2%, from £178.5 million to £158.5 million. Adjusting for acquisitions and at constant currency, this represents an organic decline of 10.0%. Sheriff was acquired in December 2023, and FY24 included eight months of revenue from this acquisition. Sonnox was acquired in December 2022, with FY23 including eight months of revenue.

The average Euro exchange rate was €1.16 (FY23: €1.15). Sterling strengthened against the US dollar, moving from an average of \$1.21 in FY23 to \$1.26 in FY24. This reduced reported revenue, but the currency impact was broadly neutral at the gross profit level, as the majority of cost of sales are also incurred in US dollars.

	FY24 Revenue	FY24 Acquisition	FY24 Organic	FY23 Revenue	FY23 Exchange	FY23 Constant Currency	FY24 Reported Growth	FY24 OCC Growth ¹
Focusrite	60.3	–	60.3	86.3	(2.4)	83.9	-30.2%	-28.2%
Novation	16.2	–	16.2	16.6	(0.4)	16.2	-1.9%	0.6%
ADAM Audio	22.6	–	22.6	18.5	(0.5)	18.0	22.2%	25.6%
Sequential	9.7	–	9.7	14.5	(0.4)	14.1	-33.0%	-31.2%
Sonnox	2.0	(0.8)	1.2	1.1	–	1.1	72.8%	8.6%
Content Creation	110.8	(0.8)	110.0	137.0	(3.7)	133.3	-19.1%	-17.4%
Audio Reproduction – Martin Audio	47.7	(0.9)	46.8	41.5	(0.6)	40.9	14.9%	14.4%
Total	158.5	(1.7)	156.8	178.5	(4.3)	174.2	-11.2%	-10.0%

¹ Organic constant currency ('OCC') growth. This is calculated by comparing FY24 revenue with FY23 revenue adjusted for FY24 exchange rates and the impact of acquisitions.

The reported decline in organic constant currency revenue for the year of 10.0% reflects similar trends to those seen in the first half of the year. Our Content Creation brands continued to face difficult markets, with ongoing cost-of-living pressures impacting end-consumer demand. Additionally, a reduction of stock in the US reseller channel for Focusrite offset improvements across our other Content Creation brands. Meanwhile, our Audio Reproduction brands benefitted from an expanded product offering and the tail end of increased demand for experiences following the end of COVID-19.

Within Content Creation, our biggest business unit, the Focusrite brand, declined by 30.2% (28.2% on an organic constant currency basis) to £60.3 million (FY23: £86.3 million). As referenced at the half-year mark, actions were taken to reduce stock in the US, which impacted sales to this region in particular. In addition, delays to the launch of the higher-end Scarlett range products, due to engineering team constraints, further affected revenue in FY24, along with the ongoing difficult market conditions.

In contrast, the second half of the year saw positive signs across all other Content Creation brands. Our Novation synthesizer brand declined by 1.9% in FY24 (organic constant currency growth of 0.6%), significantly better than the overall market, supported by a refreshed marketing focus and the introduction of the Launchkey MK4 range. ADAM Audio grew by 22.6% (organic constant currency 25.5%), benefiting from a new route to market in the US, now aligned with Focusrite and Novation, and the strong performance of the entry-level T Series range.

Sequential revenue declined by 33.0% (organic constant currency 31.2%) compared to the prior year, though the second half saw a smaller decline of 11.1% compared to 47.6% in the first half, as revenue levels stabilised. This was helped by the introduction of a new, lower-priced synthesizer, the Teo-5, in May 2024. FY24 was also the first full year of revenue from Sonnox, delivering growth of 8.6% and total revenue of £2.0 million (FY23: £1.1 million).

Financial Review continued

Our Audio Reproduction division grew from £31.9 million in FY22 to £41.5 million in FY23, and has now grown to £47.7 million in FY24, driven by strong demand since the lifting of COVID-19 restrictions and a strengthened range through new product development and targeted acquisitions. Linea Research continued to grow ahead of its record-breaking FY23 production levels and, with the addition of Sheriff Technology and Innovate Audio this year, the division now has a complete spatial audio offering, as outlined in the case study on pages 14 to 15. A further 20 new products were introduced this year across Martin and Optimal, in addition to major releases in FY23. This enabled the division to continue delivering strong growth, with a 9.6% increase in the second half as the market began to normalise, and 14.9% growth for the full year (14.4% organic constant currency).

	FY24 Revenue	FY24 Acquisition	FY24 Organic	FY23 Revenue	FY23 Exchange	FY23 Constant Currency	FY24 Growth	FY24 OCC Growth ¹
North America	60.7	(0.3)	60.4	77.7	(2.8)	74.9	-21.8%	-19.2%
EMEA	66.9	(1.2)	65.7	69.5	(0.8)	68.7	-3.7%	-4.5%
Rest of the World	30.9	(0.2)	30.7	31.3	(0.7)	30.6	-1.3%	0.4%
Total	158.5	(1.7)	156.8	178.5	(4.3)	174.2	-11.2%	-10.0%

1 Organic constant currency ("OCC") growth. This is calculated by comparing FY24 revenue with FY23 revenue adjusted for FY24 exchange rates and the impact of acquisitions.

North America represents 38% of the Group's revenue and saw a 19.2% decline on an organic constant currency basis, impacted by de-stocking in the reseller channel of Focusrite particularly in the second half of the year, compared to the initial sell-in of Scarlett Gen 4 in the prior year, together with a weaker market hit by cost-of-living issues. Content Creation brands in North America reported a year-on-year decline of 24.1% (-21.7% organic constant currency). Audio Reproduction's strong growth elsewhere was hampered in the US by supply chain process issues, resulting in a decline of 10.1% (reported) and -6.8% (organic constant currency). These issues have now been addressed with increased stock levels in the US.

EMEA, which represents 43% of Group revenue, declined by 3.7% (-4.5% organic constant currency) to £66.9 million. Audio Reproduction was strong, delivering 15.9% growth (10.8% organic constant currency), marking the second consecutive year of double-digit growth, with significant gains in both live and installed sound. Content Creation brands declined by 9.9% (-9.3% organic constant currency). With ADAM Audio and Novation returning to growth, the decline was driven by weakness in the market impacting Sequential and Focusrite, exacerbated by a change in stocking policy by a key reseller which impacted sales in the final quarter.

The Rest of the World (ROW), comprising mainly APAC and LATAM, represents the remaining 19% of Group revenue. Overall, the region was down 1.3% (reported) compared with FY23, though it posted 0.4% growth on an organic constant currency basis. This result included very strong growth in Audio Reproduction of 39.6% across the year, offset by a 27.6% decline in Content Creation, indicative of the global pattern. Within Audio Reproduction, China was particularly strong due to the delayed removal of COVID-19 restrictions, while in Content Creation the consumer electronics market remained weak.

Segment profit

Segment profit is disclosed in more detail in note 8 to the financial statements under 'Business Segments'. The revenue is compared with the directly attributable costs to calculate profit by segment. There have been no additional segments this year, as Sheriff and Innovate are managed as part of the Martin brand segment.

Gross profit

Gross margin decreased in FY24 to 44.5% from 47.5% in FY23 as a result of a one-off stock clearance, increasing freight rates, and ongoing promotional activity. As noted in the first half, a £1 million provision was made to reduce the net realisable value of Vocaster stock, which was subsequently sold to a European distribution partner. This significantly improved the working capital position and reduced stock to normalised levels but had a negative 1.3 percentage point impact on the full-year margin. Despite its positive reception, Vocaster faced 12-month launch delays due to component availability issues during the pandemic. This resulted in initial launch quantities exceeding market demand as the market for podcasts softened unexpectedly.

After adjusting for the Vocaster write-down, underlying margins decreased by 1.7% from the prior year, with the biggest impact coming from freight rates, which increased by 2 percentage points (as a percentage of sales) year on year. Logistical issues in the Red Sea and congested ports worldwide ensured that rates continued to escalate. Across our two divisions underlying product margins differed. Content Creation margins reduced compared to the prior year as promotions continued at an elevated level in order to partially mitigate the impact of channel de-stocking and cost of living issues, whereas Audio Reproduction margins increased due to an increase in sales to China which are at a higher margin.

For the next financial period, we expect freight rates to remain at their current elevated levels, reflecting ongoing global geo-political instability. While promotional activity in the Content Creation division may reduce somewhat as stock levels in the channel hopefully normalise, offsetting this we expect the mix of sales for Audio Reproduction to return to previous levels as sales strengthen in other regions compared with China where, as noted, sales are at a higher margin. As a result, we expect the underlying gross margin to remain broadly flat next year.

Administrative expenses

Administrative expenses consist of sales, marketing, operations, the uncapitalised element of research and development, and central functions such as legal, finance, and the Group Board. These expenses totalled £64.8 million, up from £60.5 million last year. This includes depreciation and amortisation of £8.6 million (FY23: £8.1 million), amortisation of acquired intangible assets of £5.5 million (FY23: £4.5 million), and non-underlying items of £5.5 million (FY23: £1.7 million), which are discussed in more detail below. Excluding non-underlying items, depreciation, and amortisation, administrative costs were £45.3 million (FY23: £46.2 million), a decrease of £0.9 million compared to the prior year.

In such a difficult market, costs have been tightly controlled across the Group, and bonus and share-based payment costs reduced to £1.5 million below the prior year and £2.0 million normalised "on-target" levels. In addition, £0.4 million of one-off costs related to office site moves and refurbishments in FY23 did not repeat in FY24.

Offsetting these savings, new acquisitions added £0.8 million to the cost base, with the annualisation of Sonnox contributing £0.4 million, and the addition of Sheriff adding a further £0.4 million, which will fully annualise in the following financial period. While average headcount reduced slightly across the Group this year, the largest cost increases were related to inflation, with pay rises implemented during the peak of cost-of-living impacts, resulting in an increase of £1.4 million. We have continued to invest in our people and strengthen our innovation teams in particular this year, which will result in a similar inflationary uplift in the following financial period.

Adjusted EBITDA

EBITDA is a non-GAAP measure widely recognised in the financial markets. It is used (as adjusted for non-underlying items) as a key performance measure and forms the basis for some of the senior management incentivisation within the Group. Adjusted EBITDA decreased from £38.6 million in FY23 to £25.2 million in FY24. This reduction was primarily due to the lower sales and lower gross margin described earlier.

Depreciation and amortisation

Depreciation of £2.9 million (FY23: £2.7 million) was charged on tangible fixed assets on a straight-line basis over the assets' estimated useful lives. This figure remained stable compared to the prior year, following the investment in new offices in FY23.

Amortisation on non-acquired intangibles is mainly charged on capitalised development costs, writing off the development costs over the lifespan of the resultant product. Development costs related to individual products are written off over periods ranging from two to ten years, reflecting the differing lifespans of products across our brands. Normally, capitalised development costs exceed amortisation, reflecting the Group's continued investment in product development. During FY24, capitalised development costs amounted to £8.8 million (FY23: £8.6 million), compared with amortisation of £5.7 million (FY23: £5.5 million). We expect development costs to remain at this level as we continue to invest in further product refreshes and develop new products. Additionally, this year saw the completion of our acquisition of licences to utilise certain technologies, adding £3.0 million to intangible assets during the year, with plans to incorporate these technologies into our future product roadmap.

The amortisation of acquired intangible assets totalled £5.5 million during the period (FY23: £4.4 million) and has been disclosed within adjusted items. Underlying amortisation in FY24 was £5.7 million (FY23: £5.5 million), increasing slightly as more products were launched during year.

Non-underlying items

In FY24, the Group acquired Sheriff Technology and Innovate Audio, with associated acquisition costs amounting to £0.1 million (FY23: £0.4 million related to the Sonnox acquisition). There were no earn-out payments in FY24 whereas in FY23 earn-outs related to the Linea Research and Sequential acquisitions were completed and paid out, resulting in a cost of £0.8 million.

Non-underlying items also include amortisation of intangible assets from acquisitions, amounting to £5.5 million (FY23: £4.4 million). This increase is due to the inclusion of Sheriff Technology and the annualisation of Sonnox amortisation for brands and technology. Additionally, FY23 included the benefit of a one-off adjustment for £1.0 million of amortisation that was incorrectly charged in prior years on assets not yet brought into use. For further details, see note 20 of the financial statements.

The Sequential and Oberheim synthesizer brands were purchased in 2021 and 2022 for £14.5 million and £4.5 million respectively. The acquired assets have a net book value of £15.9 million at 31 August 2024 including £2.5 million of goodwill. Both brands are iconic within the industry and since acquisition have had a good track record of launching critically acclaimed new products. However, this sector of the market has been particularly hard hit by cost-of-living issues, particularly for the higher price point products, and the industry has seen year on year contractions in demand. This has resulted in a lower starting point for future forecasts and greater risk to forecasts. Consequently, the Board, based on management's estimate of recoverability (see note 19 to the financial statements), have decided to recognise a one-off, non-cash impairment of £5.4 million.

Notwithstanding this impairment, Sequential remains profitable with plans to extend the range of both brands further with the introduction of lower price point products, which is expected to bring the brands back to growth.

Foreign exchange and hedging

Sterling has remained relatively stable compared with the Euro between years, but the average rate has strengthened against the US Dollar.

Exchange rates	2024	2023
Average		
USD:GBP	1.26	1.21
EUR:GBP	1.17	1.15
Year end		
USD:GBP	1.31	1.27
EUR:GBP	1.19	1.17

During the year, Sterling strengthened against the average US dollar rate, moving from \$1.21 to \$1.26. The US dollar accounts for 40% of Group revenue but over 80% of the cost of sales so, while this resulted in increased revenue, the impact on gross profit was neutral. The Euro comprises approximately a quarter of revenue but incurs little cost. The policy adopted by the Group is to hedge approximately 75% of Euro flows for the next 12 months and approximately 50% for the year thereafter. Currently we are reviewing the scope and levels of currency of the policy and aim to have updated hedges in place before the end of the 2025 calendar year.

Financial Review continued

Finance costs

Finance costs of £3.2 million (FY23: £1.6 million) primarily arose on interest on the Group's revolving credit facility (RCF) drawdowns. This increase is due to higher interest rates throughout the year and increased drawdowns to fund working capital.

Corporation tax

In FY24, the corporation tax credit totalled £0.1 million on reported profit before tax of £2.5 million, an effective tax rate of (4)% (FY23: 21.8%). The lower tax rate is the result of a number of adjustments upon finalisation of the group's prior year tax returns, none of which are in isolation significant, combined with tax reliefs gained through patent box claims. Adjusting for non-underlying items and prior year adjustments, the effective tax rate is 23.9% (FY23: 21.7%) on adjusted profit before tax of £13.4 million. Going forward, we expect the effective tax rate to remain broadly in line with the UK corporate tax rate.

Earnings per share ('EPS')

The basic EPS for the year was 4.5 pence, down 85.2% from 30.4 pence in FY23. This decrease is primarily due to a combination of factors, including the reduction in operating profits, the non-cash impairment of intangible acquired assets and the increase in the UK corporate tax rate from 19% to 25% in April 2023. The adjusted diluted EPS, which accounts for the dilutive effect of share options, decreased by 53.1%, from 38.4 pence in FY23 to 18.0 pence in FY24.

	2024 pence	2023 pence	Change %
Basic	4.5	30.4	-85.2%
Diluted	4.4	30.2	-85.4%
Adjusted ¹ basic	18.3	38.7	-52.7%
Adjusted ¹ diluted	18.0	38.4	-53.1%

1 Adjusted for amortisation of acquired intangible assets and other adjusting items (see notes 15 and 20).

Balance sheet

	2024 £m	2023 £m
Non-current assets	94.0	95.9
Current assets		
Inventories	49.3	55.3
Trade and other receivables	37.6	32.9
Cash	22.0	26.8
Bank loan	(34.5)	(28.1)
Current liabilities	(34.8)	(45.4)
Non-current liabilities	(17.6)	(18.9)
Net assets	116.0	118.5

Non-current assets

The non-current assets comprise goodwill of £14.2 million, other intangible assets of £66.1 million, property, plant, and equipment of £11.1 million, and a deferred tax asset of £2.7 million. The goodwill of £14.2 million (FY23: £16.1 million) decreased due to the impairment of Sequential (see note 19 for assumptions), slightly offset by the acquisition of Sheriff Technology this year, for a total consideration of £2.9 million, including goodwill of £0.7 million.

The other intangible assets of £66.1 million (FY23: £66.7 million) consist primarily of capitalised research and development costs and acquired intangible assets related to product development and branding. The capitalised development costs in use have a carrying value of £14.2 million (FY23: £10.0 million), which increased with the launch of 35 products this year. Products and technology under development amount to £7.1 million (FY23: £8.5 million), of which £2.0 million relates to acquired assets under development (FY23: £2.0 million). During the year, £8.8 million of costs were capitalised (FY23: £8.6 million), and underlying amortisation was £5.7 million (FY23: £5.5 million). Approximately 65% of development costs are capitalised, and they are amortised over the life of the relevant products.

Acquired capitalised development costs had a carrying value of £22.0 million (FY23: £24.3 million) at year-end. This has reduced due to the annual amortisation charge of £3.6 million, and the impairment of Sequential of £0.8 million, offset by the inclusion of Sheriff's development costs of £2.0 million.

The remaining intangible assets, totalling £22.8 million (FY23: £23.9 million), include brands of £16.1 million (FY23: £20.1 million) acquired as part of acquisitions, which are amortised over 10 years for ADAM Audio, 20 years for Martin Audio, 15 years for Sequential and Linea Research, and 10 years for Sonnox. The Sequential brand asset has been impaired by £1.3 million as part of the overall impairment. Intellectual property, licence and trademarks of £5.9 million (FY23: £3.4 million) have increased by £2.5 million, due to the final stage payments relating to a platform technology development which will be used in later iterations of several major product ranges.

Tangible assets comprising property, plant and equipment decreased from £12.5 million at the end of FY23 to £11.1 million at the end of FY24, due to the annual depreciation charge. There were no significant capital additions or lease renewals during the year, following the office move and refurbishments in FY23.

Working capital

At the end of the year, working capital was 32.8% of revenue (FY23: 23.9%). This reflects a phasing of working capital towards year-end, driven by the launch of several new products, including the Scarlett Gen 4 higher range products, ADAM Audio desktop speakers and headphones, and the Sequential Teo-5, which were sold to sales channel partners in the final quarter. As a result, debtor and creditor balances were high in the final quarter, but effective credit management ensured minimal issues with collections or bad debts during the year. Issues noted at the half year have improved, with stock and therefore debtor holdback reducing with our US distributor by \$6 million during the second half of the year. However, overall debtors increased at year end due to sales phasing in the final quarter of the year.

Creditors continue to be paid on time. Inventory overall has reduced by £5 million to £49.3 million from the £55.3 million at August 2023 and February 2024. This is due to the ongoing reduction in Scarlett stock as the remaining Generation 3 inventory is sold. Martin Audio stock has remained at elevated levels as stock is brought into the US to provide greater stock availability and mitigate any potential tariff increases.

Cash flow

	2024 £m	2023 £m
Cash and cash equivalents at beginning of year	26.8	12.8
Foreign exchange movements	(0.4)	(1.0)
Cash and cash equivalents at end of year	22.0	26.8
Net (decrease)/increase in cash and cash equivalents (per Cash Flow Statement)	(4.4)	15.0
Change in bank loan	(6.6)	(15.2)
Increase in net debt (before foreign exchange movements)	(11.0)	(0.2)
Add back: equity dividend paid	3.9	3.6
Add back: acquisition of business (net of cash acquired)	2.5	7.2
Free cash flow	(4.6)	10.6
Add back: non-underlying items	0.1	1.7
Underlying free cash flow ¹	(4.5)	12.3

1 Defined as cash flow before equity dividends, acquisition of subsidiary (net of cash acquired) and adjusting items.

Debt

The net debt balance at the year-end was £12.5 million (FY23: net debt £1.3 million). In October 2024, the Group extended the £50 million RCF facility, along with an uncommitted facility with HSBC and NatWest, for an additional year, with a new expiry date of September 2028. At year-end, the Group had drawn down £35.1 million of the RCF (FY23: £28.2 million) to support our working capital requirements.

The underlying free cash flow for the full year was a cash outflow of £4.5 million (FY23: cash inflow of £12.3 million), leading to a year-end net debt position of £12.5 million. Within this, the movement in working capital included an outflow of £8.9 million (FY23: outflow of £7.6 million), largely driven by debtor and creditor phasing, as explained above. Capital investment for the year totalled £14.2 million (FY23: £14.4 million), of which £9.7 million (FY23: £9.2 million) related to capitalised R&D gross of any attributable tax credits, reflecting the Group's ongoing commitment to product development. We expect this level of investment to continue to support the Group's product roadmap.

Historically the Group has converted around 45% to 50% of EBITDA to free cashflow. Given the ongoing tough markets and our commitment to investment in product development we expect this to be lower over the next 12 months, with the Group nevertheless remaining inherently cash generative.

Dividend

The Board is proposing a final dividend of 4.5 pence per share (FY23 final dividend: 4.5 pence), which would result in a total of 6.6 pence per share for the year (FY23: 6.6 pence). This represents an adjusted earnings dividend cover of 2.7 times (FY23: 5.8 times).

Change in Accounting Reference Date

As announced on 30 October, the Group will be changing its accounting reference date from 31 August to 28 February, with the next audited results being presented for the 18 months to 28 February 2026. Interim results will be presented for the 6 months to 28 February 2025 and for the 12 months to 31 August 2025.

Summary

FY24 brought continued challenges, with market weakness in Content Creation due to cost-of-living pressures and channel de-stocking. However, the diversity of the Group's portfolio helped offset these challenges, with strong growth in Audio Reproduction and the successful launch of new products, maintaining our leadership in key categories.

Our balance sheet remains robust, despite the challenges of the year, with net debt at a level of less than half EBITDA providing the Group with the stability to weather these markets and we remain confident in our ability to navigate uncertain markets whilst continuing to focus on innovation and product development in order to deliver long-term value

Sally McKone

Chief Financial Officer

27 November 2024

Principal Risks and Uncertainties

Effective risk management is intrinsic to enabling and supporting our business strategy and our commitments to customers, community, climate and environment.

We are committed to conducting our business responsibly, safely and legally, while making risk-informed decisions when responding to opportunities or threats that present themselves. The Board is responsible for risk management and the General Executive Committee is responsible for setting and monitoring the appetite for risks and the effective management of risk across the Focusrite Group.

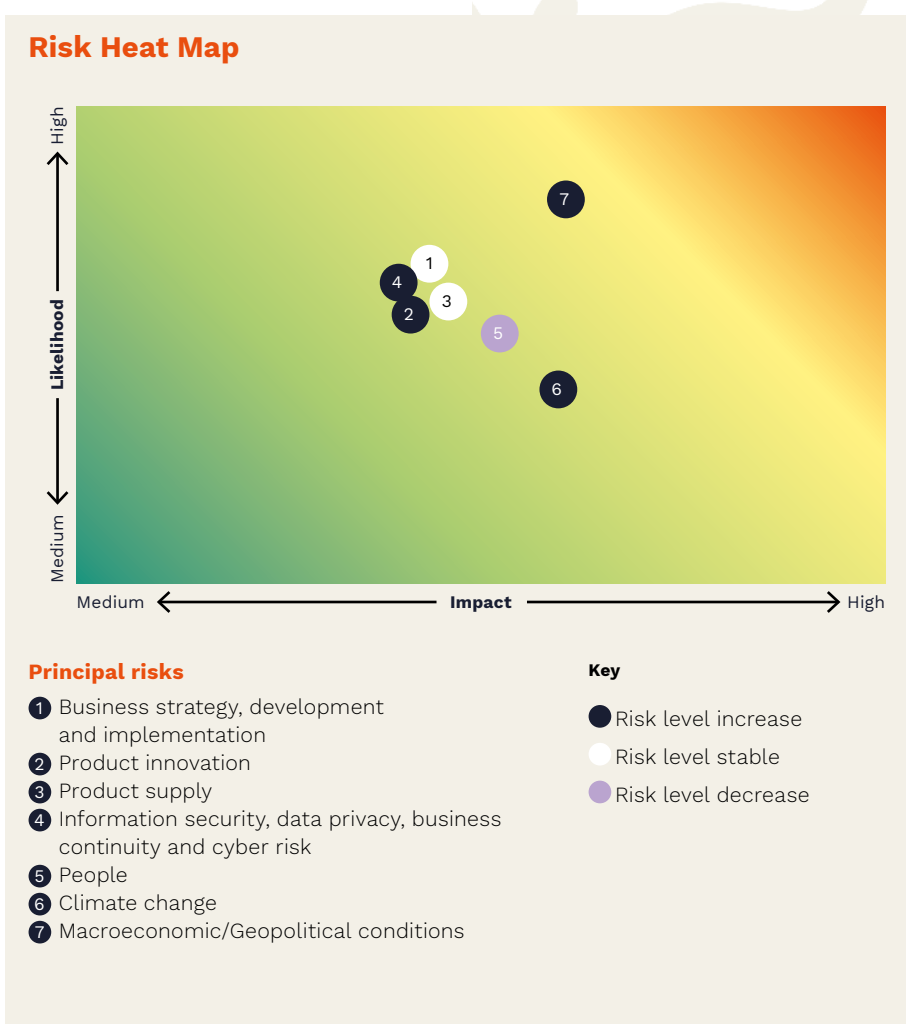
Our approach to risk management supports informed decision making through the identification and assessment of risks and opportunities.



Appetite

Risk appetite is an expression of the amount of risk that the Focusrite Group is willing to take to achieve its strategic objectives. The Focusrite Group’s risk appetite is reviewed annually to ensure it reflects the appropriate level of risk that should be taken in pursuit of the Focusrite Group’s strategic objectives without threatening its business model or the long-term interests of stakeholders.

Where there has been an increase in a risk that takes it outside of our risk appetite, the risk management governance process will be applied to assess what response is necessary and whether additional mitigating actions are required to bring the risk back within our risk appetite.



The table below sets out our principal risks. Please note, this list does not include all of our risks. Risks which change or are not presently known, or are currently considered to be less material, may also have adverse effects. The table below includes a description of the risk, notes on any changes since the previous year and the residual risk, the impact on the business and risk mitigation.

Description	Impact on the business	Risk mitigation
Business strategy development and implementation		
The risk of not identifying and reacting to changing market conditions, not being able to implement our acquisition strategy or bring efficiencies to our route to market strategy can impact our growth. The risk remains relatively stable as we monitor drivers for macroeconomic changes and implement appropriate response strategies to manage their impact on the Focusrite Group's performance. This has enabled us to ensure that the risk is managed appropriately in line with any changes to external conditions.	Failing to develop products which engage and inspire our customers will mean that our investors lose confidence in our business.	The Group has a multi-stranded resilience plan with an increasingly diverse range of products which ensures there are various revenue streams to enable Group growth and undertakes rigorous customer testing which helps ensure that new products and next generation products will be well received by customers. We also have an increasing number of direct-to-market routes which enables us to reach more customers.
Product innovation		
Risks associated with our ability to design, manufacture and position our products to generate returns and value for stakeholders in a fast-changing industry. We have increased our user testing and influencer endorsements to test and exalt our products to ensure that they meet the current market expectations.	A design strategy that does not result in innovative products may lead to a lower demand for our products which will impact our ability to deliver returns to stakeholders and fund our investment and growth opportunities. It may also result in our product portfolio being less resilient to climate-related risks or movements in commodity prices or inflationary pressures and other macroeconomic factors. In the short term, these may reduce our cash flow and in the long term could adversely affect the results of our operations and performance.	The Group has developed resilient strategies, processes and frameworks to grow and protect our product portfolio. Our business development strategy focuses on enhancing our product portfolio to ensure the Group retains its competitive advantage and identifies threats to or opportunities for our products.

Principal Risks and Uncertainties continued

Description	Impact on the business	Risk mitigation
Product supply		
↔ No risk movement		
<p>Risks associated with market demand, including the availability of materials to manufacture products and our ability to sell and deliver products into new and existing key markets.</p> <p>Exposure to risks associated with our product supply increased in FY24 due to external changes over which we have little influence.</p>	<p>Multiple ongoing global conflicts and rising geopolitical tensions as well as increased volatility and uncertainty in the international trading environment could cause disruption of global supply chains and affect macroeconomic conditions and our ability to sell to our products.</p>	<p>We continually monitor and assess:</p> <ul style="list-style-type: none">– our ability to access key markets;– product demand and our sales plans;– relationships with our sales partners; and– geopolitical and macroeconomic developments and trends, etc. <p>Identifying weather and/or climate-related vulnerabilities is also one of our considerations as we seek to mitigate disruptions to our ability to physically access materials. We also continue to explore and increase the level of interchangeability in our supply chain to reduce the risk presented by single-source materials, namely electronic components.</p> <p>Continuing to diversify our product portfolio will also reduce exposure to product supply risks.</p> <p>Leveraging the longstanding relationships we have with our logistics partners to minimise impact of freight disruptions.</p>
Information security, data privacy, business continuity and cyber risks		
↑ Risk increasing		
<p>Protecting the availability, confidentiality and integrity of Group’s information assets is critical to successful trading.</p> <p>The threat of an information security breach or an unauthorised attack is an ongoing and increasingly sophisticated risk that the Group believes would negatively impact its reputation. Similarly, the inadvertent processing of customer or employee data in a manner deemed unethical or unlawful could result in significant financial penalties, remediation costs, reputational damage and/or restrictions on our ability to operate.</p>	<p>Disruption to our information systems may have a significant impact on our sales, cash flows and profits.</p> <p>An information security breach could lead to unauthorised access to, or loss of, personal information, financial data or intellectual property.</p>	<p>The Group’s business continuity plan is reviewed and tested on a regular basis.</p> <p>Existing systems will be hardened to ensure we are following industry best practice.</p> <p>Regular system and application patching is in place including the use of vulnerability scanning and penetration testing to identify security weaknesses across our attack surface.</p> <p>Security awareness training and phishing simulation frequency will be further embedded, to help manage human risk.</p> <p>Investment in our security controls will continue as we look to continuously improve our current posture.</p> <p>AI Governance has been set and we will aim to both manage the security and privacy risks of using AI, and leverage the technology to defend against emerging threats.</p>
People		
↓ Risk decreasing		
<p>People are critical to the Group’s ability to meet the needs of its customers and end users and achieve its goals as a business. Not only do we need to have the right talent, we also need to be agile and innovative to drive business change and results. Leading from that we also need to make sure that we always have the right leaders in place in terms of succession planning. Failure to attract, retain and develop senior managers and technical personnel, and to embed our values in our culture, could impact on the delivery of our purpose and business performance.</p>	<p>We continue to rely on key individuals to contribute to the success of the Group. We need our people to develop their skills in order to future-proof the Group’s business whilst being able to attract, retain and motive people.</p>	<p>We are promoting work-life balance and improving our training and development programmes. Succession planning for key roles and the identification of any new skillsets are reviewed by the Board.</p>
Climate change		
↑ Risk increasing		
<p>Climate change is a multifaceted risk to the business at many levels. Failure to deliver on climate change initiatives, particularly around the reduction in the use of energy and carbon within required timescales, will have short, medium and long-term climate change risks to residents, businesses and infrastructure.</p>	<p>Reduced availability of raw materials could have several effects from fluctuating and rising prices to uncertainty in the supply chain to our having to use lower quality raw materials in our products.</p> <p>We expect regulation and the possibility taxes on less sustainable materials or processes to increase.</p> <p>We are also aware that climate change is a concern for our customers and stakeholders who expect us to lead the way in running a sustainable business and it will have an impact on our reputation if we fail to adequately address these concerns.</p>	<p>Managing our operations towards a low-carbon future e.g. through the use of recycled materials in order to sustain the longevity and prosperity of the business remains one of our key mitigation efforts.</p> <p>Sustainability criteria is embedded throughout the product design process in order to mitigate risks and identify opportunities to deliver our Environment and Climate objectives.</p> <p>Systems to monitor and reduce the environmental impact of our operations and ensure compliance with environmental legislation are in place.</p> <p>For information on our Environmental and Climate progress, see pages [xx to xx].</p>

Description	Impact on the business	Risk mitigation
Macro-economic/Geopolitical conditions		
↑ Risk increasing		
<p>In a world where geopolitical relations are being strained by episodic upheaval, many major economic countries have or could have changes of government and financial turbulence, there is a sense of global destabilisation which is causing an uncertain outlook and is making it harder to predict customer demand and undertake long-term planning.</p>	<p>We recognise that the smallest economic or geopolitical event can cause any company to edge past the tipping point of resilience, and we have seen the effect that less predictable and harder-to-handle inflation has had on our sales patterns.</p>	<p>The Group has developed resilient strategies, processes and frameworks to grow and protect our product portfolio. Our business development strategy focuses on enhancing our product portfolio to ensure the Group retains its competitive advantage and identifies threats to or opportunities for our products.</p>
Changes to risk scores vs. prior year		
Information security, data privacy, business continuity and cyber risks		
↑ Risk increasing		
<p>Organisations are becoming more vulnerable to cyber threats due to the increasing reliance on computers, networks, programs, social media and data globally. A relatively small data breach or a common cyber attack has a massive negative business impact. The level of cyber attacks from ‘bad actors’ has increased alongside increased geo-political uncertainty. Whilst the measures we are taking ensure our cyber security programme increases each year, we, along with many other businesses, are finding that the frequency and sophistication of cyber security incidents is increasing.</p>		
Product innovation, product supply, macroeconomic/geopolitical conditions		
↑ Risk increasing		
<p>There is a heightened level of macroeconomic uncertainty relating to cost-inflation leading to rising prices which has been exacerbated by the wars in Ukraine and Middle East.</p>		
<p>These are impacting our customers’ disposable income, thereby changing the products they buy and increasing our operational costs which, together, affects several of our principal risks.</p>		
<p>The supply chain risks facing the Group have again changed shape over the last year. In addition short term supply issues can impact our ability to launch new products in an increasingly competitive environment.</p>		
Emerging risk themes		
<p>Emerging risk themes are reported alongside our principal risks. We conduct horizon scanning to enable a medium- and longer-term view of potential disruptors to our business. As part of our risk assessment process, we analyse internal and external sources of emerging risk themes through review of leading external publications including attending industry seminars and forums, gathering insights via top-down and bottom-up risk workshops with internal stakeholders, and seeking professional consultation where required. We are currently tracking several emerging risk themes such as political, economic, technological, environment and talent. Examples of those emerging themes that have a potential impact and require a response are set out below:</p>		
Escalating geopolitical tensions		
<p>Global risk reports indicate a predominantly negative outlook for the world over the next two years that is expected to worsen over the next decade through a combination of instability, global catastrophes and turbulent conditions which will have unknown consequences on customers and businesses.</p>		
Group’s view		
<p>Geopolitical risks are not new. We review the effect trade tariffs or trade embargos being imposed between countries where we trade and manufacture and market recovery being slower than previously anticipated. The impending change in government in the US, a key market for the Group, has increased the level of uncertainty for the Group, particularly with regard to the threatened increase in import tariffs for goods from overseas, particularly those from China.</p>		
Actions we will take		
<p>We recognise that risks are interconnected and have the potential to be influenced by other risks, and as such there is no single solution. We have continued to diversify our strategies to help build a safety net, boosting our manufacturing capabilities in order to ensure we can quickly scale up production should a location become unviable, and using inventory buffers to give us time to react to global challenges.</p>		
AI		
Generative AI is viewed as a strategic risk.		
<p>For the Group it is seen not only as a risk, but also as an opportunity that can offer great potential for automation which could lead to competitive advantages.</p>		
<p>We continue to harness AI to drive operational and cost efficiencies, as well as strategic business transformation programmes where the opportunity arises, whilst being aware of the growing amount of harmful misinformation, increasingly sophisticated privacy breaches and cyber security threats.</p>		

Principal Risks and Uncertainties continued

TCFD strategy: risks from future climate change scenarios

Leading on from climate change in the risk register, and as part of the requirements for the Task Force on Climate-related Financial Disclosures ('TCFD'), aligned with the UK's Climate-related Financial Disclosures ('CFD'), we have included our seven climate-related risks and opportunities, mapped against three future climate scenarios.

These risks and opportunities remain unchanged from last year, as we believe the risk levels have not materially changed, nor new issues been identified. We have included more context this year on the potential impact of risks, however, but keep our assessment that our exposure to climate change carries a low risk in the short term, and we continue to monitor how this changes over time.

We also see similar trends of increased physical risks in high warming scenarios, and more transition risks in low warming scenarios.

Short term (up to 2030)

Aligned with our near-term science-based target for decarbonisation which is likely to be based around 2031.

Medium term (up to 2050)

This is the target year for the UK to achieve Net Zero as part of the Climate Change Act, and likely aligns with our science-based Net Zero target.

Long term (up to 2080)

Our long-term timeframe considers 2080 for now to match the increased storm intensity modelling work done this year.

Key – Likelihood of impacting profit by more than 10%

Low	= Not Material <10% Chance
Medium	= Potentially Material ~50% Chance
High	= Likely to be Material >75% Chance

Climate-related risks and opportunities

Name	Classification	Scenario	2030	2050	2080	Our Management and Mitigation Approach	Impact Narrative
Qualitative Transition: Movement towards Circular Economy Principles Medium-Term	Opportunity	1.5	Low	High	High	Our products are easily disassembled and recycled overall, and we are already working on using more recycled content upfront. Combined with our existing eCommerce trade-in schemes, a thriving 2nd hand market and ongoing research into new materials, we feel well placed to embed ourselves within the circular economy.	Without starting to embed circular economy principles, the Group could find virgin source materials ultimately become more costly and come with reputational risks so we could be viewed as lagging on this topic.
		2	Low	High	High		
		4	Low	Medium	Medium		

Resilience conclusion

The analysis of our business model and strategy reveals a proactive approach to resilience against climate-related scenarios. Our assessment of risks mapped to three scenarios (1.5°C, 2°C, and 4°C) indicates low risk exposure in the short term (up to 2030).

In the medium and long term, while we face higher transition risks in low warming scenarios and increased physical risks in high warming scenarios, our strategies – such as adopting circular economy principles and exploring alternative materials – enhance our resilience across all scenarios.

Continuous stakeholder engagement and monitoring of climate impacts ensure we remain adaptive to evolving challenges. Overall, our framework positions us to mitigate risks and contribute positively to sustainability efforts.

Net zero definition

Our definition of net zero follows the science-based targets initiative. We plan to reduce emissions by at least 90% compared to a baseline year, with carbon removals only used for the remaining 10% of Scope 1, 2 and 3 emissions at most.

Carbon neutral definition

We define carbon neutral as using carbon credits to negate positive emissions. Our use of these is limited only to Scopes 1 and 2 residual emissions which we cannot currently reduce further.

Selected climate scenarios:

1.5°C Best Case Scenario: International Energy Agency ('IEA') Sustainable Development Scenario The world rapidly decarbonises, keeping global temperatures at a similar level to today. There is widespread societal change and technology advances.
2°C Paris Agreement Scenario: IEA Stated Policies All current pledges and policies by countries are carried out in full, and the worst effects of climate change are prevented in line with the 2015 Paris Agreement. However, no additional decarbonisation pledges are carried out, and the world still experiences significant physical impacts from climate change.
4°C Worst Case Scenario: Network for Greening the Financial System ('NGFS') Current Policies Only actions already started today are carried out in full. The climate warms rapidly and significantly with physical impacts being especially significant. Transition risks are all minimised as technology broadly remains the same as today, except there will be much greater adaptation costs to manage the warmer climate.

More non-material information on scenarios is in our 2024 Environment and Climate Report.

Name	Classification	Scenario	2030	2050	2080	Our Management and Mitigation Approach	Impact Narrative
Qualitative Transition: Low-Carbon Products Medium-Term	Opportunity	1.5	Medium	High	Medium	Using lifecycle assessments, we have a good understanding of our environmental hotspots. Over the next few years, we will complete all of the relatively easy swaps to low-carbon raw materials, while building out our range of parametric design tools that will monitor exposure to climate-related risks.	If we do not make our products low carbon we could become subject to carbon taxes in the future, either on raw materials used or potentially on the finished goods. If these costs are passed to consumers, we could become uncompetitive.
		2	Low	Medium	Low		
		4	Low	Low	Medium		
Qualitative Transition: Increase in Consumer and Investor Climate Consciousness Medium-Term	Opportunity	1.5	Medium	High	Medium	Music Technology broadly lags behind the wider electronics industry on the environment and climate, so we reference against the biggest tech companies that are leading here. We are sharing more environmental data with customers, with investors and key shareholders already engaged with this topic.	Being seen to lag behind on climate-related issues could become a significant reputational risk in the future if we fail to keep pace with expectations. The largest electronics companies are already taking significant action in this area, and we are building out our consumer-facing messaging.
		2	Low	Medium	Medium		
		4	Low	Low	Medium		
Qualitative Transition: Mineral Commodity Shifts Medium-Term	Risk	1.5	Low	High	Medium	We continually look for alternative materials that are less exposed to risks of climate change. Rare-earth magnets are one example used in loudspeakers where we currently have no long-term solution, which will be in increased demand from renewable energy production and automotive in the future.	If we lose access to rare-earth magnets, the contingency will be to redesign products to use ferrite-based magnets which are significantly more widely available, although performance is lower. However, high-performance ferrite magnet technology is advancing rapidly and we ultimately hope to transition to these in the future.
		2	Low	Medium	Medium		
		4	Low	Low	Medium		
Quantitative Physical: Increased Storm Intensity Long-Term	Risk	1.5	Low	Low	Low	It is our assessment that the risks posed directly to our supply chain and offices is low overall.	As we are not highly exposed to the risks, this is an issue we will continue to track in future to assess if this changes. If the risk level increases, we will factor this into business strategy either through adaption or by locating sites in alternative locations.
		2	Low	Low	Low		
		4	Low	Low	Medium		
Quantitative Transition: Shipping & Logistics Medium-Term	Opportunity	1.5	Low	High	High	As part of reviewing the Increased Storm Intensity, we assessed the impact to shipping routes as Low, and with our carriers transitioning to low carbon transport, we believe this is an opportunity. We expect Transition risks to be more significant long term.	We rely on third-party logistics to support our business, and there is always the possibility of direct impacts on our shipments (either as delays or through loss or damage), but by working closely with our carriers we aim to minimise disruption.
		2	Low	Medium	Medium		
		4	Low	Low	Medium		
Quantitative Physical: Climate-Induced Conflict Short-Term	Risk	1.5	Medium	Medium	Low	There is little we can do to mitigate climate-induced conflict, except monitor existing geopolitical issues and try to establish how these will be impacted by climate change.	The impacts of conflict could be varied and extensive; knock on effects could cover our whole value chain. We will most likely have to react to any disruption.
		2	Medium	Medium	High		
		4	Medium	High	High		

Environmental, Social and Governance (ESG)

BEING A GREAT PLACE TO WORK

We are committed to making sure good governance is maintained throughout the delivery of our ESG strategy.

Our ESG Governance Structure



ESG Governance

Our Environmental, Social, Governance & Climate Change (‘ESGCC’) Committee meets monthly and was set up in 2022 to serve as a central point for a range of reporting requirements as well as proactive actions we’re taking.

Andy Land, our Global Head of Sustainability, represents Environment & Climate, joined by Alicia Cousins, Chief People Officer, representing Social, and Francine Godrich, Group General Counsel, representing Governance, who also manages the Group risk register. With Sally McKone as Chair of the ESGCC Committee, we also ensure that our actions are fully integrated into our financial planning and decision-making processes and are initiated at the most senior level of the Company, which is crucial for achieving our long-term goals.

Our Updated 2024 ESG Materiality Matrix



Building on our original ESG Materiality Matrix from 2021, we have updated this for 2024 to reflect changing sentiment both from internal and external stakeholders. We have observed a broad increase in the quantity of external stakeholders reporting against ESG issues, with a heavy focus remaining on issues such as GHG emissions, Wellbeing, as well as an increase in focus on Product Innovation.

All issues here are important and are the focus for our ESG & Climate Change Committee, with the items in the top right of the matrix the most significant for us, and our broad actions summarised over the following ESG pages.



Environmental, Social and Governance – Environment

SCALING SUSTAINABLE AMBITION



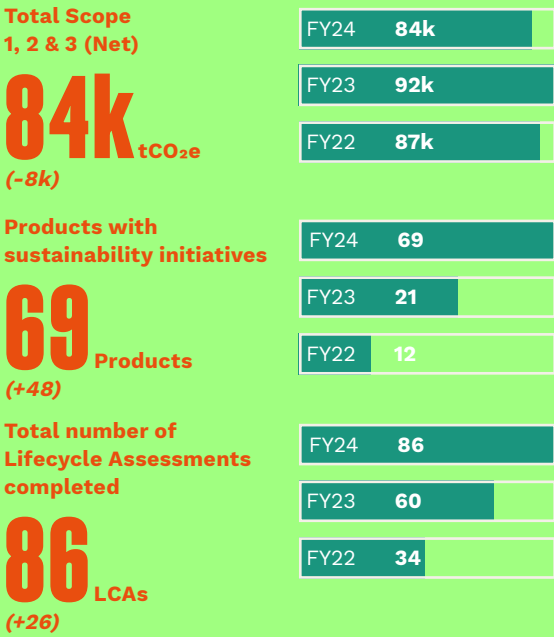
Andy Land
Global Head of Sustainability

“FY24 has been an exciting transition year for the Group as our Environmental Sustainability programme matures. Our products are now incorporating sustainable principles by default, and in some cases we are now looking to move on from first to second generation steps to decarbonise.

This is against the backdrop of 2023 being the hottest year on record – breaching the 1.5°C threshold for the first time. While we are making progress, we need to demonstrate leadership so have committed to set science-based targets for decarbonisation this year, and are currently developing our targets which we plan to submit for review in the next year.”

Environmental highlights

Eco-design in Action	Page 43	An example of how we're reducing the footprint of our hardware products.
Environmental Strategy	Page 44	Our updated Environmental Strategy.
CDP and Science-based Targets	Pages 44-45	Two new proactive reporting frameworks we are now following as we aim to be industry leader.
UK's CFD Changes Table	Page 46	An updated look at changes related to the UK's Climate-related Financial Disclosures.
Developing a Net Zero Transition Plan	Page 47	An in-progress look at our developing transition plan to reach Net Zero.
Environmental Disclosures	Pages 48-49	Our full Scope 1, 2 and 3 GHG emissions disclosures along with Streamlined Energy and Carbon Reporting ('SECR').



Environmental highlights

The Group has made significant progress rolling out sustainability initiatives this year, with 15 new and 33 existing products having at least one initiative implemented. In our Content Creation division, the Focusrite Scarlett Gen 4, Novation Launchkey MK4 and ADAM Audio H200 and D3V all have a series of sustainability initiatives implemented, including recycled plastic and improvements to packaging design to remove unnecessary items which also reduces volume for more efficient shipping.

The Group's Audio Reproduction division has done equally well, with Martin Audio switching to recycled plastic for ten existing products so far, and Optimal Audio's Cuboid speakers also benefiting from the same roll-out.

Initiatives like these are becoming standard practice now, making a cultural shift from just a few years ago with engineering teams actively pursuing their own decarbonisation opportunities.

Maturing reporting standards

This is our second year that the UK's Climate-related Financial Disclosures ('CFD') applies to the Group. Fundamentally, we believe our disclosure last year is still applicable, so have opted to disclose only the relevant updates compared with the previous years on page 46.

This year, with the aim to further demonstrate we want to be seen as industry leaders, we have made a shift towards optional non-mandatory disclosures. We have completed our first report with the Carbon Disclosure Project ('CDP'), committed to set science-based targets ('SBTs'), and are sharing our in-progress work on a Net Zero Transition Plan following the release of the Transition Plan Taskforce ('TPT') guidance.

These disclosures are undertaken with a view to making future mandatory reporting easier, as CDP, SBTs and the TPT encompass a range of environmental and climate-related topics that will be increasingly relevant as other standards such as the EU's Corporate Sustainability Reporting Directive ('CSRD') ultimately apply to the Group.

We believe these standards are pushing businesses in the right direction towards decarbonisation, and we have been working to make the compliance side as simple as possible to leave time to work on decarbonisation initiatives.

A packed upcoming year

Having committed to set SBTs, our key reporting focus will be to develop and submit our targets for approval – something we must do before March 2026. This process is already under way, and establishing a reliable baseline year (likely 2021) to measure future reductions against is essential.

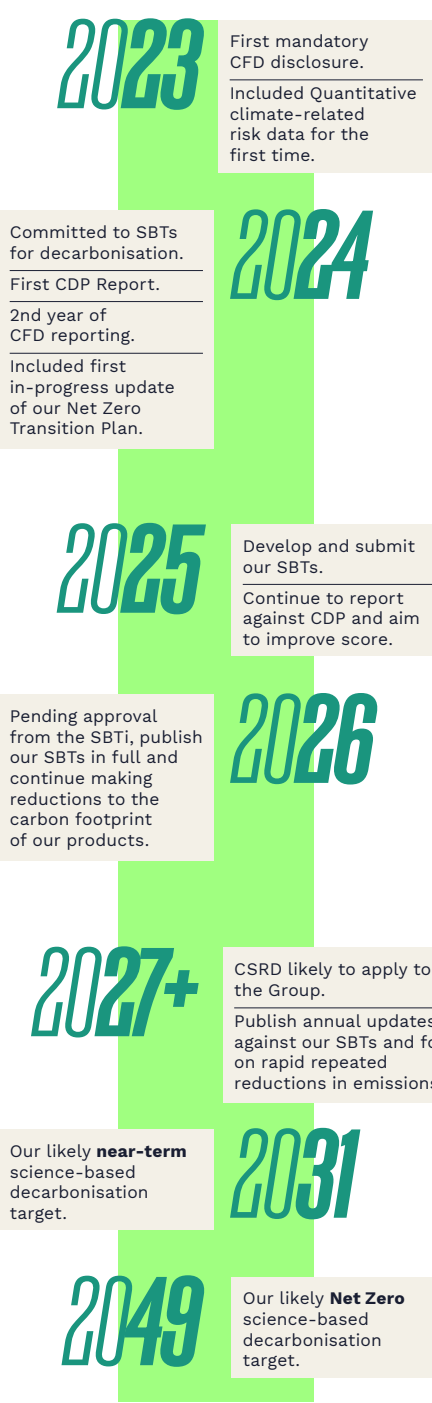
Now we have set the precedent, we plan to continue with CDP reporting, aiming to improve our score, and will further develop our Net Zero Transition Plan and increase alignment with the TPT guidance.

None of this reporting detracts from our decarbonisation steps. We are continuing to implement sustainability initiatives, and in some cases starting to move onto 2nd generation improvements involving more complex changes. This is a necessary step as we start to design products around initiatives rather than completing simple material switches and aim to transform our business long term.



	MK3	MK4 (2025 Target)
Product Chassis	Virgin High Impact Polystyrene ('HIPS') Plastic	75% Post-Consumer Recycled ('PCR') HIPS/ 85% PCR ABS Plastic depending on keymech size
Product Bag	Virgin Polyethylene Plastic	Viscose Cotton Fabric
Keymech Support	Virgin Expanded Polyethylene ('EPE') Plastic Foam	Folded Brown Card
Giftbox Printing	Full Colour with plastic laminate	Brown Card with Soy Ink
Giftbox Tape	Virgin Polypropylene Acrylic Plastic	Biodegradable Film

Timeline of ESG at Focusrite



OUR ENVIRONMENTAL STRATEGY

Our approach to Environmental Sustainability is based around three pillars, each with their own distinct focus. We have updated our Environmental Strategy in FY24 to reflect work done to date and keep this focused on delivering long-term progress.

As our strategy matures, we are starting to shift from reactively disclosing when standards become mandatory, and have added two new proactive reporting frameworks this year. The Science-based Targets Initiative (‘SBTi’) and Carbon Disclosure Project (‘CDP’) work in tandem to advance corporate climate disclosures and move businesses towards effective decarbonisation.

To further our commitment to this, we have also included our work so far on a Net Zero Transition Plan to date, a component of the UK’s Climate-related Financial Disclosures (‘CFD’), SBTi and CDP, and something we expect to become mandatory in the near future.

Environmental Strategy			
	Efficient Internal Operations	Focus on Products	Lead the Industry
Target	Maintain current sourcing levels of renewable energy in all offices where available.	Achieve our near-term decarbonisation science-based target (still to be finalised and approved).	Set SBTs for decarbonisation including near-term and Net Zero targets by 2026 at the latest.
Focus	Our Internal Operations and our offices.	Our External Operations and what we send out into the world.	The wider Music Technology Industry .
FY24 Update	We are already sourcing renewable energy where available, and will likely set one of our science-based targets to maintain or increase this procurement level.	We have updated our previous 2030 Carbon Neutral products target to align with our near-term science-based target once approved. This will require significant carbon reductions to our products, likely around 55% by 2031 with a 2021 baseline.	We have now committed to set near-term and Net Zero SBTs, one year ahead of our 2025 deadline. Our focus now shifts to develop targets and get these approved by the SBTi, as well as engaging with the CDP.

Our first Carbon Disclosure Project Report



To further support our Environmental Strategy, we have completed our first Carbon Disclosure Project report in FY24 using data from FY23.

The results will be available from December 2024, and the content of the questionnaire has already informed changes that we will make for future reports.



COMMITTED TO SCIENCE-BASED TARGETS FOR DECARBONISATION

In March 2024, we sent out a commitment letter to the Science Based Targets Initiative (‘SBTi’), outlining our intention to set both near-term and Net Zero targets within 2 years.

While this affects all parts of our strategy, this has been most important for our industry, as we look to demonstrate best practice and encourage others to also take steps to set their own decarbonisation targets.

We are already working on our targets submission pack to the SBTi, and plan to finish developing and submit these for approval by the SBTi in the next year.

About the Science Based Targets Initiative
“The UN backed Science Based Targets initiative (‘SBTi’) organisation has defined an approach for businesses to share a decarbonisation pathway.”

Seen as the gold standard of emissions reduction approaches, having approved science-based targets (‘SBTs’) for decarbonisation fits with the ‘Industry Leaders’ pillar of our Environmental Strategy.

Rather than creating our own independent pathway to reach Net Zero by 2050, by following the science-based targets method we are aligning with the latest global climate science and would instead reduce our emissions in line with the required national and sector-based contributions.



Environmental, Social and Governance – Environment continued

TCFD Update

TCFD Compliance and the UK’s Climate-related Financial Disclosures (‘CFD’)

This is our 2nd year reporting against the UK’s CFD, and we have complied with all 4 pillars and 11 recommended disclosures set out by the Task Force on Climate-related Financial Disclosures (‘TCFD’), aligned with the UK’s CFD for our financial year ended 31 August 2024. We have summarised high level changes below, with more information cross referenced.

Key ● Improvement ● No changes from prior year

TCFD Changes Table			
TCFD Area	Disclosure	Changes vs. FY23	Applicable Section
Governance: Disclose the organisation's governance around climate-related risks and opportunities.	A Describe the Board's oversight of climate-related risks and opportunities.	● Our organisational structure is simple, with regular Board updates quarterly covering climate-related risks and opportunities.	Page 56: Governance
	B Describe management's role in assessing and managing climate-related risks and opportunities.	● In the last year, within our Audio Reproduction division we have added a meeting every two weeks between the individual brand product managers and our Global Head of Sustainability.	Page 56: Governance
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	A Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	● Our climate-related risks and opportunities are disclosed in the risk management section.	Page 34: Risk Management
	B Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	● We have assessed the level of climate-related risk to be low in the short term.	Page 38: TCFD Strategy
	C Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	● The Group has shared our initial work on a Net Zero Transition Plan on the page opposite, which we will continue to develop as part of our science-based targets development, and ongoing CDP disclosures.	Pages 38 and 47
Risk Management: Disclose how the organisation identifies, assesses and manages climate-related risks.	A Describe the organisation's processes for identifying and assessing climate-related risks.	● Following review in our existing ESG working group, we do not believe any risk levels have changed materially from FY23.	Page 34: Risk Management
	B Describe the organisation's processes for managing climate-related risks.	● Climate risk remains integrated as a category in the Group's risk register that is reviewed regularly.	Page 34: Risk Management
	C Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	● Climate-related risks and opportunities remain regularly assessed by our Global Head of Sustainability in conjunction with our Group General Counsel as part of the Group risk register.	Page 34: Risk Management
Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	A Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	● The group has till March 2026 to set Science-based targets. These will become the main metrics for the UK's CFD, and we are working to integrate these with climate risks and opportunities.	Page 45 and 48
	B Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks.	● Our emissions calculation method has been further refined in preparation of science-based targets. We do not see any significant changes to our climate-related risks/opportunities.	Page 48: Carbon Balance Sheet
	C Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	● We remain committed to Net Zero by 2050 at the latest, and are looking at how much faster we can achieve this through our upcoming target-setting process.	Page 45: Science-based Targets

Developing a Net Zero Transition Plan

As our plans to decarbonise the Group mature, developing a **Net Zero Transition Plan** is an essential component. We are including our work to date, following the guidance in Transition Plan Taskforce (‘TPT’) documentation that was published in October 2023.

Our Transition Plan is based around six decarbonisation steps, which in turn link with the three principles of Ambition, Action and Accountability laid out in the TPT, and all 19 of the detailed sub-elements. An in-depth look at each step is included in our Environment and Climate Report and how each links with each of the detailed sub-elements. In future years we will integrate this with our reporting of science-based targets, CFD and CDP.

Our decarbonisation steps cover our full business operations, and reflect the low level of exposure we have to climate-related risks as identified in our CFD report, so the transition plan focuses on proactive steps to decarbonise rather than adaption and mitigation strategies.

Transition Plan Steps

Decarbonisation Step	Ambition	Action	Accountability	Our Actions	Why this is a priority
1. Set Ambitious Targets	●	●	●	Committed to set clear targets to reach Net Zero in line with the science-based targets (SBTs) initiative alongside strong internal policies to support this.	For many years now the Group has been aiming to be an Environmental Sustainability industry leader, and setting externally reviewed targets is an important way we can demonstrate our commitment.
2. Lead the Industry	●	●	●	Position ourselves at the forefront of the music technology industry's efforts to decarbonise and take a data-driven approach to making the right decisions.	Driven by a commitment to SBTs for decarbonisation, we are working towards achieving near-term reductions and ultimately Net Zero emissions. The SBTi provides a robust framework for this journey, ensuring our progress aligns with the latest climate science. By addressing our footprint, we plan to set an example for our peers to follow and are open to sharing how we are progressing to foster collaboration through initiatives including the Greening Music Tech industry working group.
3. Use Sustainable Raw Materials	●	●	●	We will continue switching to using as many sustainable materials as possible in our products. This will focus on these three areas: 1. Increasing post-consumer recycled content. 2. Using sustainable nature-based materials. 3. Exploring innovative emerging materials.	We are a small consumer of resources globally, but still have a duty to source responsibly – material selection is essential to our Net Zero transition and to embed the Group in the circular economy. We need to select the materials that have both low upstream emissions, and are easily and completely recyclable at end of life.
4. Transparent, High-Quality Disclosures		●	●	Share our progress towards achieving decarbonisation targets in a detailed and transparent manner on a regular basis.	Sharing data allows us to be accountable for actions and collaborate effectively with our stakeholders by demonstrating to others how they can decarbonise.
5. Operational Efficiency	●	●		Continue to optimise our operations to minimise waste and inefficiencies. This covers all areas of the business from product design, manufacturing, logistics and product end of life.	Avoidance of emissions entirely is the fastest way to decarbonise, and often comes with the benefit of cost savings. We are exploring local manufacturing and supply options, with shorter logistics routes the focus here alongside minimising general wastage.
6. Strong Governance		●	●	Maintain strong governance processes to be sure decarbonisation initiatives are carried out effectively.	A robust governance framework is critical for ensuring an effective Net Zero transition, and will ultimately help create a culture that aligns with this. We will build on the existing CFD governance structure to ensure transition planning is also considered.

Environmental, Social and Governance – Environment continued

Environmental disclosures

Our complete Scope 1, 2 and 3 carbon dioxide equivalent footprint is summarised here. All units are gross tonnes of carbon dioxide equivalent (‘tCO₂e’) unless stated otherwise. For Scopes 1 and 2, we have maintained Carbon Neutral status for a third year as a result of switching to renewable energy and purchasing verified carbon offsets to account for residual emissions.

Scope 3 is the majority of our gross emissions, with **Purchased Goods & Services** and **Use of Sold Products** being the two largest categories as these are associated with our hardware products. We use LCAs to calculate our emissions from hardware products, with methodology being refined over the last year as we eliminate errors and add updated electricity grid data. We have included the original and an updated FY23 value here as a result.

Carbon Balance Sheet					
Category	Metric	Value FY24	Value FY23 (Updated)	Value FY23 (Original)	% of FY24 Gross CO ₂ e Footprint
Intensity Metrics	tCO ₂ e per Product Sold	0.084	0.078	0.096	
	tCO ₂ e per £m Revenue	531	519	639	
Scope 1 GHG Emissions	Total Scope 1 (location-based)	158	177	177	0.19%
	Total Scope 1 (net including offsets)	(1)	0	0	
	Combustion of Natural Gas (location-based)	129	153	153	0.15%
	Combustion of Natural Gas (market-based)	51	4	4	
	Transportation (excluding grey fleet)	29	24	24	0.03%
	Scope 1 Carbon Offsets against Combustion of Natural Gas (market-based) and Transportation (excluding grey fleet)	(81)	(28)	(28)	
Scope 2 GHG Emissions	Total Scope 2 (location-based)	129	257	257	0.15%
	Total Scope 2 (net including offsets)	0	0	0	
	Electricity (location-based)	129	257	257	0.15%
	Electricity (market-based)	72	152	152	
Scope 3 GHG Emissions	Scope 2 Carbon Offsets against Electricity (market-based)	(72)	(152)	(152)	
	Total Scope 3	83,800	92,304	113,981	99.66%
	01: Purchased Goods & Services*	37,872	47,045	58,638	45.04%
	02: Capital Goods	2,181	207	207	2.59%
	03: Fuel & Energy-related Activities	40	51	51	0.05%
	04: Upstream Transportation & Distribution*	1,103	1,760	454	1.31%
	05: Waste Generated in Operations	3	10	11	0.00%
	06: Business Travel	1,184	1,014	1,014	1.41%
	07: Employee Commuting	534	716	716	0.64%
	09: Downstream Transportation & Distribution*	1,277	1,423	238	1.52%
	10: Processing of Sold Products*	45	33	33	0.05%
	11: Use of Sold Products*	38,685	39,158	51,388	46.01%
Totals	12: End-Of-Life Treatment of Sold Products*	876	887	1,231	1.04%
	Scope 1, 2 and 3	84,087	92,738	114,415	100.00%
	Scope 1, 2 and 3 (Net)	83,799	92,304	113,981	

* Indicates the FY23 value has been recalculated using the same methodology as FY24.
Note: Categories **08: Upstream Leased Assets**, **13: Downstream Leased Assets**, **14: Franchises** and **15: Investments** do not apply to the Focusrite Group.

Commentary on carbon balance sheet

Due to the nature of our business, our hardware products dominate our emissions. We have refined our LCA methodology this year as we develop our SBTs, aiming to eliminate any issues that could result in us having more than a 5% change in the total emissions (above this threshold we would need to rebaseline our SBTs). We are starting now to see some of the changes made to products filter through to our emissions (Purchased Good & Services has reduced), but we have also sold more high-power products in FY24 (increasing Use of Sold Products per product). As more renewable energy becomes available we will see our emissions throughout our supply chain decrease.

SECR and calculation methodology

Our Streamlined, Energy and Carbon Reporting (SECR) disclosure table is summarised here. All units are in tonnes of carbon dioxide equivalent (‘tCO₂e’) unless stated otherwise.

Our Gross Scope 1 and 2 emissions remain a very small part of our total footprint, but maintaining Carbon Neutral Internal Operations is a key part of our Environmental Strategy as these are operations under our direct control. Despite the Group continuing to grow, with the addition of TiMax and OutBoard this year, we have seen energy consumption and gross emissions fall; and as shown in the full carbon balance sheet, actions taken to date have resulted in Carbon Neutral status across each of these scopes. Our new Focusrite HQ has been particularly effective at reducing our energy consumption, being well insulated as the lowest floor of a shared building.

Energy efficiency measures

In FY24, we have started to research options for installed solar on our buildings as in previous years we focused on the relatively straight-forward swaps of LED lighting and general renovations.

The initial focus for rooftop solar is our Linea Research office in Letchworth, which is well suited with a near flat roof and easy access. Our findings from this project will inform our future plans with solar.

Emissions calculation methodology

Our total Carbon Footprint Analysis has been assessed externally by McGrady Clarke based on information provided by Focusrite, and covers Scopes 1 and 2 (as part of our Streamlined Energy and Carbon Report) and Scope 3. Primary data has been used where possible, but in cases of incomplete data, pro-rata extrapolation or direct comparison methodologies were utilised. The reporting methodology involves usage of 2024 Department for Environment, Food and Rural Affairs (‘DEFRA’) guidance, Ecoinvent 3.9.1 and EMBER electricity emissions factors.

This work is done in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and in line with DEFRA’s ‘Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting Requirements’. The SECR reporting period covers our operations from 1 September 2023 to 31 August 2024, and our calculations are for building-related energy (natural gas consumption (Scope 1), purchased electricity consumption (Scope 2)), and transportation (fuel combustion for business travel in company vehicles (Scope 1), EVs (Scope 2) and in employee vehicles used for business travel (Scope 3)).

Reported emissions from Sheriff Technology Ltd (OutBoard Electronics and TiMax brands) were calculated based on the length of ownership by the Group following acquisition in December 2023, and associated emissions are

for the period from 19 December 2023 to 31 August 2024. We have used the operational control approach to reporting boundaries.

Product lifecycle assessments (LCA) refinement

Last year was the first time we published our emissions using product lifecycle assessments, a process we had externally reviewed by EuGeos.

Our emissions are calculated by conducting a smaller number of LCAs, and then scaling the results to products that have not had an LCA completed – this is due to the high number of products we manufacture. The products that are scaled are therefore potentially open to errors. Over the last year we have refined this process in these key areas:

- Completed additional product LCAs to both upgrade ‘Scaled’ products to LCAs, and also improve other Scaled products as they can be multiplied by a smaller factor.
- Corrected product weights and dimensions to ensure appropriate scaling.
- Updated electricity grid data to reflect the roll-out of renewable energy globally.
- Improvement of the underlying raw material data to better reflect our custom materials (e.g. recycled plastic).
- Added the ability to switch an LCA to a new result when there is a change in the middle of a product lifecycle.

SECR Disclosures Table						
Reporting Period	FY24: 1 Sep 2023 – 31 Aug 2024			FY23: 1 Sep 2022 – 31 Aug 2023		
	UK & Offshore	Global (exc. UK & Offshore)	Total	UK & Offshore	Global (exc. UK & Offshore)	Total
Emissions from Combustion of Gas (Scope 1)	129	0	129	153	0	153
Emissions from Combustion of Fuel for Transport Purposes (Scope 1)	7	22	29	5	19	24
Fugitive Emissions from Refrigerant Leakages (Scope 1)	0	0	0	0	0	0
Total Scope 1 Emissions – Emissions from activities which the Group owns or controls, including combustion of fuel & operation of facilities	136	22	158	158	19	177
Total Scope 2 Emissions – Emissions from purchase of electricity for own use and electric vehicles (location based)	91	38	129	201	56	257
Total Gross Scope 1 & Scope 2 Emissions	227	60	287	359	75	434
Other Indirect Emissions (Scope 3) – Emissions from business travel in rental cars or employee-owned vehicles where the Group is responsible for purchasing fuel	10	1	11	18	0	18
Total Gross Scope 1, 2 & 3 Emissions	237	61	298	377	75	452
Total Energy Consumption (kWh)	1,212,219	194,830	1,407,049	1,937,298	162,184	2,099,482
Intensity Metric (Gross Emissions): tCO ₂ e per employee	0.53			0.81		

Environmental, Social and Governance – Social

CREATING A GREAT PLACE TO WORK FOR EVERYONE

Employee Headcount
565
(FY23: +8)
eNPS Response Rate
86%
(FY23: +1%)



Alicia Cousins
Chief People Officer

Our aim of creating a great place to work

At Focusrite Group, our unwavering commitment to ‘Being a Great Place to Work’ continues to shape our corporate culture and drive our success on a global scale. All our initiatives consistently invest in our most important asset – our people. Throughout FY24, we have made strides to foster an inclusive, supportive and dynamic work environment, with our efforts being multifaceted and far-reaching.

In the UK, we have partnered with Association for Black & Minority Ethnic Engineers (‘AFBE’) to enhance diversity & inclusion initiatives, and in the US, we have implemented quarterly diversity celebrations and awareness campaigns.

Globally, we have revitalised our learning and development programmes, with our workforce participating in new training courses and initiatives, particularly in management training.

The Group has also focused on employee wellbeing, introducing new UK benefits, organising wellness challenges and activity days in the US. In Germany we have embarked on our first health and wellness day.

ADAM Audio celebrated 25 years of making great sound in May 2024, inviting over 200 colleagues, distributors, dealers and press to mark the event.

We are particularly proud that Linea Research was named a winner of the King’s Award for Enterprise in Innovation in October 2023. We celebrated in style with vintage-themed afternoon tea, followed by dinner and dancing in the evening!

Our headcount has remained steady across the Group during FY24 at 565, while our Audio Reproduction division has acquired three brands this year: TiMax, OutBoard and Innovate Audio.

Our commitment to community engagement is evident in our charitable activities, from sponsoring local Pride events to supporting music education programmes for underserved communities in US and Africa.

As we reflect on our achievements and look to the future, we remain committed to nurturing a workplace where every individual can thrive, is valued and supported, able to innovate, and contribute to our shared success, regardless of location.



TARGET: CONTINUOUSLY WORK TOWARDS CREATING A ‘GREAT PLACE TO WORK’

Recognising that at the heart of all we do, we aim to create a culture of:

- Creating a listening organisation
- Creating an engaged workforce
- Attracting and retaining the very best talent
- Developing diversity & inclusion in the workplace

- Key
- On track or ahead
 - Work in progress
 - To be started

Milestone	Vision	Actions	Progress
Creating a listening organisation	Employees and managers feel comfortable sharing ideas and suggestions.	Develop employee forum, ‘Our Focus’.	On track or ahead ‘Our Focus’ employee forums (ten per year) are now a regular fixture; we record and track our progress. The meeting notes are published for review and comment.
		Extend employee forums further across the Group.	To be started We have plans to introduce this successful UK format to more parts of the Group.
		Engagement surveys with high response rates and commentary.	On track or ahead 2024 surveys: A strong engagement from our employees, with an 84% response rate.
Creating an engaged workforce	Employees have a positive connection with the Company.	Develop our existing wellbeing plans.	Work in progress We continue to extend our wellbeing initiatives. Our colleagues in Berlin have started to arrange a second ‘Wellness’ day and in the US we have embarked on quarterly ‘Wellness’ awareness events.
		Lunch & Learns.	On track or ahead Presentations from internal and external experts, from our Global Head of Sustainability on our work in this area to our Chairman on the Company’s journey to success.
		Implementation of a new human resources information system (‘HRIS’) in ADAM Audio.	Work in progress A new HRIS platform to enhance employee experience for our German employees – giving a more efficient and user friendly system for all HR processes.
Attracting and retaining the very best talent	Creating a great candidate experience and encouraging a continuous learning and development culture.	Encourage internal moves and promotions.	On track or ahead Communicating all vacancies to all employees has helped us to promote more from within, with 12 internal moves in this financial year.
		Recruit from as wide a pool as possible.	Work in progress We have engaged with AFBE and will be conducting an audit to examine our recruitment processes to ensure inclusivity.
		Refresh line manager training.	Work in progress New programme being launched in September 2024 in the UK and Germany, with plans to extend across to the US.
		Extend our performance management processes.	To be started We plan to extend our performance management process for the benefit of our German employees.
		Extend the use of pay benchmarking tools further across the Group.	To be started Currently working to share our pay benchmarking platform with Audio Reproduction.
Developing diversity & inclusion (‘D&I’) in the workplace	Employees engage in a D&I strategy that is embedded within the Company culture.	Extend D&I initiatives to employees in US and Germany.	Work in progress New D&I plans starting to be embedded in the US and Germany.
		Develop the D&I workstreams with representations from across the Company.	On track or ahead Creating workstreams and building a team of representatives.
		Develop our HR reporting tools.	To be started Redesign our currents HR metrics data gathering tool and set up process to gain data during the recruitment process on ethnicity.
		Develop our data on workforce diversity.	To be started We will be embarking on a project to improve and extend the data we gather from our employees on workforce diversity.

CONTINUED OVER

Environmental, Social and Governance – Social continued



Creating a listening organisation

Employees and managers feel comfortable sharing ideas and suggestions.

Our Focus (employee forums)

‘Our Focus’ is the UK people forum where representatives voice employee views and suggestions. It promotes transparency, enables challenging decisions and influences policy. Management uses it for informed decision-making and we plan to extend this programme across the Group.

Hive engagement surveys

We use Hive surveys to measure employee engagement, with our latest October survey showing an employee net promoter score (‘eNPS’) score of +33, an increase from May 2024 showing of +21. Resulting initiatives include recognition, benchmarking programmes and professional development opportunities.

These surveys are essential for improvements in employee engagement and satisfaction.

Lunch & Learns

The UK Lunch & Learn programme features internal team and external presentations. Future plans include hosting YIKSA, a disabled artist advocating for audio industry accessibility. We will develop this by encouraging more participation from various presenters and so contributing to a culture of relaxed and continuous learning.

Employee meet-ups

For our US remote workforce, we have set up monthly virtual meet-ups for people to discuss their roles and music industry experiences, promoting professional development and understanding across the workforce. The primary aim is for our people to gain insights into other areas of the Group and share the broader impact of their work.



Creating an engaged workforce

Employees have a positive connection with the Company.

Wellbeing

Employee wellbeing is fundamental to creating an engaged workforce with a positive Company connection, and we have expanded our initiatives to cover social, financial, physical and emotional areas.

Our efforts here are global, with individual regions tailoring their initiatives to employee needs including employee length-of-service recognition schemes, pension webinars to promote financial wellbeing and extending Mental Health First Aid training to employees in Germany.

Team events

We maintain an active calendar of Company events, with summer parties for our UK brands and marking general celebrations such as Halloween and St Patrick’s Day.

Our Audio Reproduction division has also engaged employees with baking competitions, axe throwing, rounders, yoga, and golf to name a few!

In Germany, we have added monthly team breakfasts and after-work table tennis with drinks and barbecues. Colleagues also participate in ‘time in Production’, an opportunity to understand how our products are manufactured.

Benefits

We offer an extensive range of benefits to our people depending on their local region including private healthcare, bonus scheme, staff discounts and an electric car salary sacrifice scheme.

This year, we have added a new Health Cash Plan in the UK and extended our subsidised music lessons to all instruments.

Our Germany team also arranged their first Health and Wellbeing day, offering nutrition tips, food preparation demos, massages, spinal screening, relaxation techniques and health insurance updates.

Onboarding and check-ins

Our onboarding process has been developed with a new manager’s guide to help new employees feel welcomed, informed and integrated. In the next year, we plan to request feedback from new recruits for continuous improvement.

Our US team have implemented a structured check-in system for remote workers at key milestones during their first year. These meetings allow us to engage with employees, understand what is working well, identify areas needing attention, and determine how we can best support our people.



Attracting and retaining the very best talent

Creating a great candidate experience and encouraging a continuous learning and development culture.

Talent acquisition

We strive to attract top talent in a competitive market, focusing on efficiency and quality in hiring. In FY24, we recruited 80 heads, with 87% sourced directly, demonstrating our strong in-house talent acquisition capabilities, and the effectiveness of our talent acquisition strategy.

As we look to the next generation of hires, we have expanded our work experience and placement programmes, while monitoring metrics including time to hire and diversity data.

Our referral scheme resulted in 61 employees recommending roles in the Group. We also plan to conduct a recruitment audit in the next year.

Learning & development

We have updated our learning and development programme to promote a culture of continuous learning.

As with our other areas, we take a localised approach, providing the most appropriate training needed. Examples include bespoke management training, promoting LinkedIn training courses and opening up strength finder training for our US employees.

We believe by offering a range of options for our people to engage with we can provide an environment where everyone can learn, develop and thrive.



Developing diversity & inclusion in the workplace

Employees engage in a D&I strategy that is embedded within the Company culture.

Diversity & inclusion

In FY24, we continued embedding our D&I strategy within our culture. Our work encompasses a wide range of initiatives designed to promote inclusivity, awareness and equal opportunities.

Our approach here includes:

- Internal actions – monthly communications to employees on a range of D&I themes.
- External engagement – work with the AFBE and supporting women through the SheCanEngineer event.
- Long-term collaboration – we aim to harmonise our efforts between different business units across the Group.

By regularly updating our people on these themes, this reflects our ongoing commitment to creating a workplace where diversity is celebrated, and inclusion is integral to our culture.

Gender pay data

We continue to monitor closely our gender pay data and aim to keep reducing the pay gap year on year.

Gender pay gap

UK only brands

5.8%

Mean (average) pay gap

Gender split



● Male ● Female

All Group brands

10.2%

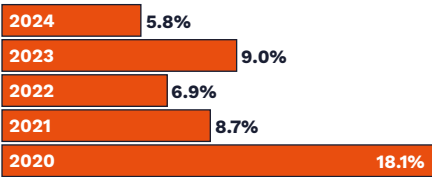
Mean (average) pay gap

Gender split



● Male ● Female

The mean (average) pay gap has decreased from 9.0% to 5.8% for the UK as a whole, as we continue to make improvement here year-on-year:



Environmental, Social and Governance – Social continued

FOCUSRITE FOR GOOD

Focusrite Group is committed to sustaining the communities around us so that they will be there for generations to come. Through our local community engagement programme, our employees decide what is important them and how the Group can support those communities. This year has seen our reach make a real difference to those around us:

Our partnership with Music Crossroads International, which aims to empower youth through music, focusing on professional training for young talented people has continued with a total of 38 students being awarded scholarships.

Malawi, Mozambique and Zimbabwe



Made noise around the world with We Make Noise, a worldwide nonprofit organisation that works to harness the power of music and technology to advance global gender equity.

Los Angeles, USA



Brought music to life for schools with the donation of recording and music performance equipment.

London, UK



Proud to support High Wycombe Pride with products and logistical aid.

High Wycombe, UK



Supporting 16 charities through McMillan coffee mornings and a charity Bake Off challenge.

Various offices

We've been back out on the streets cleaning up around our offices.

Various offices

Free equipment loans for artists and exhibitions in the Berlin art events scene and donation of loudspeakers to youth centres in the Berlin area.

Berlin, Germany

Wearing our favourite band t-shirts on Ausmusic T-shirt Day to raise funds for Support Act, who provide crisis relief services to musicians, managers and crew who are unable to work due to ill health.

New South Wales, Australia

What our employees say

As part of our commitment to nurturing an environment where creativity thrives, we value every voice that shapes our story. The following quotes from our employee surveys give a glimpse into what makes us stand out: a culture that champions collaboration, growth, and inspiration. These insights reflect our mission to be not just a great place to work, but the best place to spark bold ideas and redefine what's possible in the world of sound.

"I am so proud to be a part of the Focusrite family, I never feel excluded, there is always a feeling of togetherness..."

"Not just my manager, but the whole team and other teams clearly care about me as a person, not just my work."

"...our company consistently provides opportunities for professional growth and development, showing a genuine commitment to investing in its people."

"We are a company that is willing to learn how to be inclusive, to be diverse, and are very supportive of initiatives that promote these ideas."

"...my team has a positive energy, and we collaborate enthusiastically, creating a vibrant and supportive work environment."

"The phrase 'One Team' says it all."

"...my role is clearly aligned with our company's objectives, and I can see how my contributions directly impact our success."

Employees

565

(FY23: +8)

eNPS

+33

(FY23: +12)

Engagement rate

86%

(FY23: +1%)

Our commitment to having a robust Corporate Governance approach that cultivates a culture of integrity and holds us accountable to the highest moral and ethical standards and preserves value for all stakeholders has never been stronger.



Francine Godrich
Group General Counsel

Taking responsibility for igniting a passion for sustainability in everyone

Involving everyone, right across the Group, has been at the heart of our approach to sustainability from the beginning. This year we have rerun our materiality survey to tell us what everyone across the Group values as the most important actions we can take when it comes to being a responsible and sustainable business. Each participant understands what matters most to them and demonstrates that responsibility is integrated into all aspects of the business strategy and decision-making processes.

ESGCC COMMITTEE

Drive the Group's ESG Strategy

PEOPLE FORUM

Provides a platform on which views, queries and suggestions can be voiced, discussed and, crucially, answered

DIVERSITY AND INCLUSION COMMITTEE

Bring diverse thinking to address the Group's People strategy

GENERAL EXECUTIVE COMMITTEE

Execute the ESG Strategy

BOARD

Overall accountability for the Group's ESG Strategy

AUDIT COMMITTEE

Continuing the identification and management of climate risks in accordance with the Group's risk management programme

NOMINATION COMMITTEE

Responsible for ensuring any Board appointees have sufficient climate risk knowledge

REMUNERATION COMMITTEE

Considering how ESG targets may be set and measured when considering the Executive Directors' remuneration packages

Level	Stakeholder	Description
Group	PLC Board	The PLC Board receives an update on Environmental & Climate progress every quarter, providing oversight on our progress as well as an update on climate risks/opportunities.
Group	ESG & Climate Change Committee ('ESGCC')	The ESGCC Committee was formed in 2021, and aims to achieve a consistent approach between each of the Environmental, Social and Governance workstreams, and respond to upcoming regulatory requirements.
Executive Level	Group CFO	Our Global Head of Sustainability reports directly to the Group CFO, providing a direct link to the senior leadership.
Executive Level	Operating Company Leadership	Our Global Head of Sustainability also has regular meetings with the executive leadership at each operating company.
Management	Senior Leadership Management	Senior leadership are updated regularly by our Global Head of Sustainability, with an opportunity for feedback by managers on progress towards Company climate-related objectives and key results.

The strong relationships we have built over many years with a wide range of stakeholders continues. Their trust and support enables us to build a more sustainable, resilient business which operates responsibly and creates a wide range of stakeholder benefits.

Our key stakeholders	How we engaged	What was important in the year	Priorities for the next year
Our people	<ul style="list-style-type: none">Annual engagement survey supported by employee responsesEmployee-led D&I networksEmployee-led wellness networksMonthly 'Our Focus' people forum and works councils to discuss topics raised by employees	<ul style="list-style-type: none">Emotional Wellbeing & Financial Wellness awareness activitiesIntroduction of Wellness daysExtended and enhanced our performance management processesNew pay benchmarking system delivered	<ul style="list-style-type: none">Deliver bespoke manager training programme covering three essential areas of managementUpskill employees with broader skills training offeringBroadening Wellness and D&I across Group
Our customers*	<ul style="list-style-type: none">Regular NPS surveys giving constant feedback on service and products reviewed by brand management teams on a monthly basisConstant interaction through social media and online forums supported by our global teamsDedicated customer support teams providing localised support	<ul style="list-style-type: none">Consolidated support systems to enable seamless cross-brand collaborationBuilt a new profiling/segmentation model to align customer journeys around data-informed customer groups24/7 response with call back functionality added to minimise hold times	<ul style="list-style-type: none">Training and developing support team specialist skills to deliver 24/7 support for all brandsAligning NPS survey programme across all Content Creation brands to enable a more holistic understanding of content creators experience across our brandsFurther personalisation of customer journeys
Our partners**	<ul style="list-style-type: none">Regular business reviews and dedicated account managers in placeSpeaking with key distributors on at least a monthly basisAll key accounts, distributors and D2R partners have a personal account manager	<ul style="list-style-type: none">Continuing our work to support our statements on Modern Slavery including visits to manufacturing sites	<ul style="list-style-type: none">Aligning production across our brands to strengthen our relationships with key partnersReviewing our routes to market with key partners to continue to provide the best service to our customers
Our planet	<ul style="list-style-type: none">Green team network set up across the Group supported by full-time Global Head of SustainabilityFounder member of the Greening Music Technology Group – working with peers across the industrySeparate Environment and Climate Report published for the second time	<ul style="list-style-type: none">2nd year of Mandatory UK Climate-related Financial Disclosures ('CFD') ComplianceFirst time engaging with the Carbon Disclosure Project ('CDP')Committed to set science-based targets for decarbonisation	<ul style="list-style-type: none">Continuing to implement recycled and bio-based materials in mass productionDevelop and submit our science-based targets for decarbonisation
Our investors	<ul style="list-style-type: none">Annual General MeetingsInvestor roadshowsCorporate websiteResults presentations broadcast on investor meet platform	<ul style="list-style-type: none">Greater dialogue with investors during meetings where the challenges of the year have been discussed and feedback discussed in Board meetingsFeedback on the new corporate website and new-look annual report in order to improve our offering	<ul style="list-style-type: none">Continued open dialogue allowing investors to provide direct feedback and reporting back on how their views impacted decision-makingFocus on greater clarity of product portfolio developments and future strategy

* Our customers are our end users.
** Our partners are our sales partners and suppliers.

DELIVERING

OUR STRATEGY THROUGH RESEARCH AND DEVELOPMENT

For Focusrite Group, R&D plays a crucial role. It allows us to address our customers’ needs, promotes our technological leadership and secures our position as a market leader.

Our R&D approach is focused on the end user, drawing on deep market and customer insights, but is underpinned by strong governance and commercial oversight.

Before any project begins, rigorous business cases are developed, which must be approved by our management team. Our robust project framework tracks progress weekly, ensuring that any risks are identified and mitigated early. We follow a structured six- to eight-stage R&D framework with each stage requiring formal approval to move forward.

We are committed to maintaining dedicated, internal R&D teams within each brand. This structure enables a laser focus on specific customer needs while avoiding the standardisation and slower market response common to centralised R&D structures.

However, we do not ignore Group-wide collaboration and reap benefits here, too; sharing best practices in sustainable design and integrating complementary technologies.

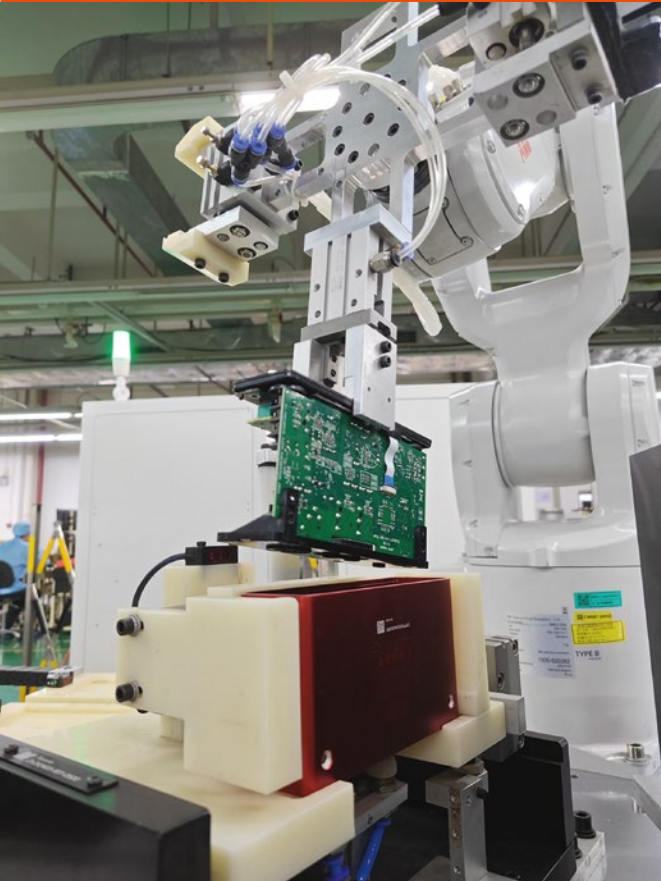


The Queen's Awards for Enterprise

Years awarded:
2008, 2012, 2016, 2018, 2021, 2022, 2023

The King's Awards for Enterprise

Years awarded:
2023



“As customer expectations grow and technology advances, we must balance conflicting needs like price, innovation, build quality, timely release, environmental impact, and engineering complexity to deliver the best products.

To do this, we continually refine our team structure, growing expertise in targeted technical specialisms. This has led to us developing industry-leading skills in embedded engineering, app development, automated testing, and production efficiency.

Creating our products is challenging, but overcoming complex technical hurdles to empower music-makers worldwide is incredibly rewarding for our team.”

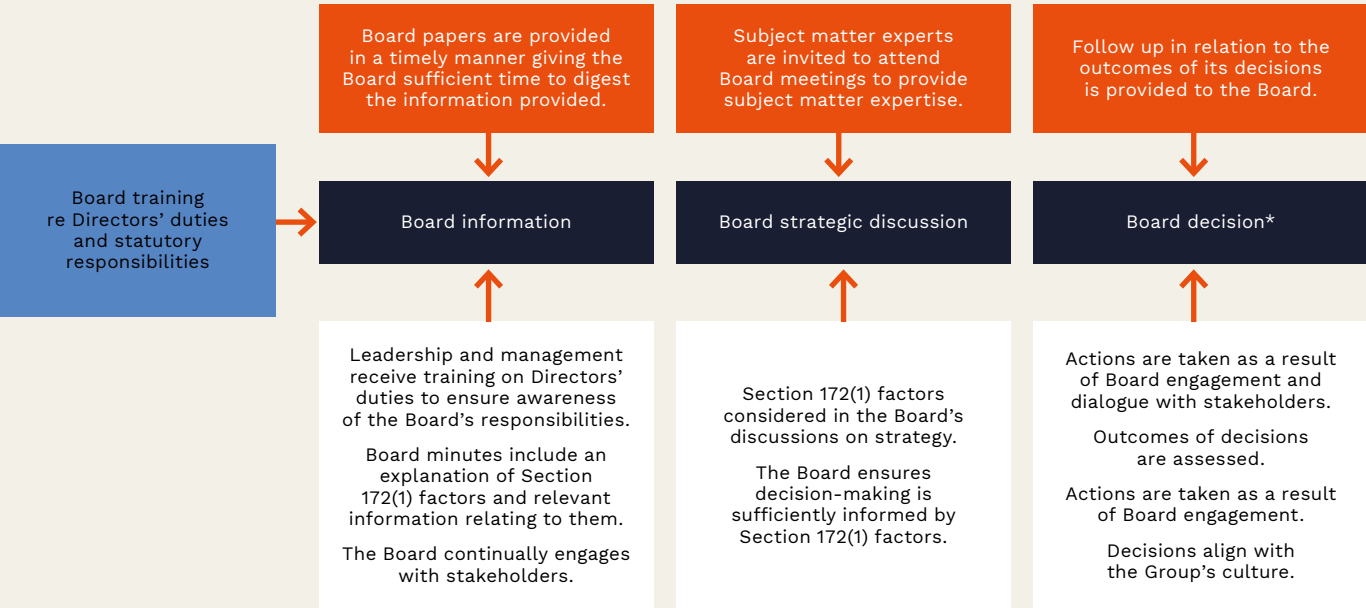


Marc Smith, Technical Programme Lead (Focusrite)
Marc has over 35 years of experience in audio and embedded engineering. Having joined Focusrite ten years ago, he now oversees technical delivery of our products.

Section 172 Statement

Engaging with our stakeholders helps us to deliver better outcomes for the Focusrite Group’s business which is fundamental to our long-term success.

The Board has a duty to promote the success of the Company and, under Section 172 of the Companies Act 2006, in doing so it must have regard for a number of matters when making decisions. On page 57 we have set out further detail as to our key stakeholder groups and how each of them is considered as part of key decisions, along with an insight into how the Board engages with those stakeholders. The purpose of this statement is to demonstrate how those matters are taken into account in decisions made by the Board. The Board’s decision-making process is illustrated as follows:



* The Board delegates some of its decision-making to the General Executive Committee and individual business leaders through a clear delegation of authorities. An example of the Board’s consideration in line with the Section 172 matters most relevant to a decision is set out on page 61.

A	The likely consequences of any decision in the long term	The Board regularly reviews the long-term planning of the Group, as part of an annual three-year planning exercise, with reviews in September 2023, June 2024 and October 2024 this year. Regular reviews of the product roadmap, M&A pipeline and ESG, particularly climate, are included in the Board agenda, as are the management and longer-term implications of more immediate issues such as the current global economic and political challenges. This year, the purchase of Sheriff Technology and Innovate Audio and the launch of Scarlett Gen 4 higher range products were supported by the Board as steps towards delivery against our overall strategic goals.
B	The interests of our employees	The Chief People Officer attends the Board meetings twice per year, to provide updates on engagement, succession planning and diversity & inclusion amongst other topics. People-related metrics are included in monthly Board reports. Our actions in this area are included in the Social section on pages 50 to 55.
C	The need to foster our business relationships with suppliers, customers and others	The Board has annual updates from our brokers, retained solicitors and business updates from each of our brands on key market issues throughout the year, supported by the CEO’s monthly report. Our actions in this area are further covered in the Stakeholder Engagement section set out on page 57 and in the case study opposite.
D	The impact of the Company’s operations on the environment and the community	The Global Head of Sustainability provides quarterly updates to the Board. See the Environment section on pages 42 to 49 and the Social section on pages 50 to 55.
E	The desire to maintain a reputation for high standards of business conduct	The Board recognises the importance of a robust Corporate Governance Framework and follows the Quoted Companies Alliance Corporate Governance Code – see the Governance section on pages 68 to 87. An annual refresh of the corporate governance rules is provided annually by the Group’s retained solicitors, Stephenson Harwood LLP.
F	The need to act fairly between members of the Company	The Company has one class of shares in issue, therefore all shareholders have the same rights. The Board does not take any decisions or actions that would provide any shareholder with an unfair advantage or position compared with the shareholders as a whole. It should be noted that where Directors are also shareholders of the Company they are privy to confidential or inside information that is discussed at Board meetings. The Company has a share dealing code that prevents all employees from dealing in the Company’s shares at certain points during the year and particularly when they are in possession of inside information.


Case study:
Analysis of China-based manufacturing with reference to Section 172

Over 50% of the Group’s products are manufactured in China, based on long-term strategic relationships with key partners. Given the ongoing geopolitical risk in this area, the Board has updated its review of the Group’s long-term strategy in this area.

A	The likely consequences of any decision in the long term	The Board reviewed the Group’s long-term strategy for manufacturing, taking into consideration the published plans of much larger technology companies for their manufacturing future. The Board discussed the impact of mitigating the risk of manufacturing in China, concluding that moving final assembly to other geographic regions may result in a manufacturing origin that is not China, but there would still be considerable reliance on some key components from China. Common with other companies this means that the Group cannot totally remove its supply chain from China. The Board discussed mitigating measures, taking into account cost considerations and the need to still guarantee product quality and lead times. These included carrying an increased stock of components from China and preparing contingency plans to utilise manufacturing services outside of China, including sites in Vietnam and Mexico.
B	The interests of our employees	The Board considered the impact of any relocation of assembly on current employees, and this played a role in the decision to move assembly of the ADAM A series back to Berlin from the previous manufacturer in China.
C	The need to foster our business relationships with suppliers, customers and others	The Board supports the Group policy of establishing long-term partnerships with a few strategic suppliers to create efficiencies in our global supply chain. As a result of our work, the Group was confident in establishing dual sourcing of the Group’s largest product line in both China and Malaysia, with similar dual sourcing for the UK and China with Martin Audio and for the US and China for Sequential now also in place. We now have multiple sites across South East Asia, delivering the cost benefits of high-quality volume output focused on a few key partners.
D	The impact of the Company’s operations on the environment and the community	The Group’s current manufacturing partners work with us to ensure sustainability is built into the design and manufacturing process, however moving manufacture closer to our end customers would reduce the emissions across our global supply chain. The Board considered that this should be a factor in future decisions.
E	The desire to maintain a reputation for high standards of business conduct	The Group has engaged leading electronic manufacturers who are recognised for their high standards of production, quality and safety and who are committed to sustaining the societies and environment in which they operate. Quarterly business reviews are carried out with major suppliers, covering performance and sustainability issues, and these are followed up by on-site visits at least annually. This provides the Board with assurance on the business conduct of our partners.

Conclusion

The Board noted that as the Group grows, working with our partners to identify low-cost manufacturing closer to our end markets should be a consideration, but that our current partners offer the best value for delivery of quality products to our customers. The Group monitors the potential impact of changes to global trade and ensures that stocking and pricing policies are reviewed to take into account these factors, as well as any implications for long term sourcing locations.

 The Strategic Report, as set out on pages 01 to 61 has been approved by the Board.
On behalf of the Board

Sally McKone
Chief Financial Officer

Tim Carroll
Chief Executive Officer
27 November 2024

Our Group Structure

The Group’s portfolio of solutions operates through two divisions. These divisions cater to distinct customer bases, employ different routes to market and involve product-specific technical requirements for our products.

The Group maintains a very proactive stance towards M&A, carefully considering potential acquisitions that are not only earnings enhancing, but which can also expand our reach into existing and new markets and add to our R&D capabilities.

CONTENT

CREATION

Solutions that enable the creation of audio content for distribution or personal enjoyment – approx. 70% of total FY24 revenue comprising four unique business units and eight industry-leading brands.

Our brands: Each individual business unit continues to focus on innovation, ensuring a robust roadmap of refreshes for current products whilst also introducing completely new solutions. The Group aims to lead the industry by spending considerable effort and resources in our various R&D efforts.







Our regions: A unified go-to-market strategy providing localisation through cohesive regional teams for each division.

Our Group functions: By centralising key supporting functions, we streamline operations and eliminate duplication of efforts across the Group. This shared expertise drives cost efficiencies and ensures a unified approach to supporting each business unit’s growth and operational needs.

AUDIO

REPRODUCTION

Solutions that enable the reproduction of sound – approx. 30% of total FY24 revenue comprising one business unit and five brands.

Business units, brands and product ranges					
Focusrite Novation		ADAM Audio	Sequential		Sonnox
 Focusrite PRO	 AMPIFY	 ADAM AUDIO	 SEQUENTIAL	 Oberheim	 Sonnox
Scarlett RedNet	Launchkey Studio Summit	A Series Headphones	Prophet Trigon	OB TEO	Oxford Toolbox
Marketing and Sales					
Americas	EMEA		APAC	Direct to Consumer (D2C)	

Business units, brands and product ranges				
Martin Audio				
 MARTIN AUDIO	 Optimal Audio	 TiMax	 out board	 LINEA RESEARCH
FlexPoint Wavefront Precision	Zone SmartAmp	SoundHub panLab	RCX Smart Remote LV x and DVx	System Engineer 88C Series
Marketing and Sales				
US and APAC		EMEA		RoW

GROUP FUNCTIONS

FINANCE	IT	HR	LEGAL	BUSINESS DEVELOPMENT
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All business units benefit from Group-led services across Finance, IT, HR, Legal and Business Development.



Philip Dudderidge OBE
Non-executive Chairman and Founder

Appointed 1989
Phil acquired the assets of Focusrite Limited in 1989 as the foundation of his new company Focusrite Audio Engineering Ltd.

Board tenure
35 years

Career and experience
Phil served as Chief Executive Officer until he became Executive Chairman in 2012, leading the Company through its listing on the Alternative Investment Market of the London Stock Exchange in 2014, becoming Non-executive Chairman in January 2022.

Skills
● ● ● ● ● ●

- Committee Chair
- Music Industry
- Leadership
- Audit Committee
- Governance
- Corporate
- Nomination Committee
- Finance
- Business Development
- Remuneration Committee



Tim Carroll
Chief Executive Officer

Appointed 2017
Tim was appointed Chief Executive Officer of Focusrite plc in January 2017.

Board tenure
8 years

Career and experience
Previously, Tim was Vice President of Avid Technology, responsible for product development, commercialisation and delivery on all of Avid's audio portfolio and Sibelius notation and music learning applications. In January 2024 TC was appointed president of the MIDI Association, a non-profit trade organisation dedicated to expanding, promoting and protecting MIDI technology for artists and musicians around the world.

Skills
● ● ● ● ● ●



Sally McKone
Chief Financial Officer

Appointed 2021
Sally joined Focusrite plc as Chief Financial Officer in March 2021.

Board tenure
3 years

Career and experience
Having trained as a Chartered Accountant with Grant Thornton, Sally moved into industry at Electrocomponents plc and then IMI plc, where she held a number of roles covering both financial reporting and operations roles across Europe, Asia Pacific and the US.

Skills
● ● ● ● ● ●



Naomi Climer CBE
Independent Non-executive Director

Appointed 2018
Naomi joined the Board of Focusrite plc as a Non-executive Director in May 2018 and became Chair of the Remuneration Committee in January 2022.

Board tenure
6 years

Career and experience
Naomi has an engineering background and, until March 2015, she was the President of Sony's Media Cloud Services based in Los Angeles. Prior to this, she was Vice President of Sony's B2B organisation across Europe, covering diverse markets including media, broadcast, cinema, sports, security and healthcare.

She currently holds a number of positions including: Non-executive Director of Sony UK Technology Centre, Scottish Television Group plc and Oxford Metrics plc. Naomi is also a Trustee at the Institute for the Future of Work.

Skills
● ● ● ● ● ●



David Bezem
Senior Independent Director

Appointed 2014
David joined the Board of Focusrite plc as a Non-executive Director in December 2014 when the Company floated on the London Stock Exchange. He was appointed Senior Independent Director in January 2022 and continues to serve as the Chair of the Nomination Committee, which he has done since joining the Board.

Board tenure
10 years

Career and experience
David was an investment banker in the City for more than 25 years, advising UK public companies across a range of sectors. Prior to that, he qualified as a Chartered Accountant with Arthur Andersen & Co. in London. From 2013 until October 2018, David was also a Non-executive Director and Chair of the Remuneration Committee of Harvey Nash Group plc.

Skills
● ● ● ● ● ●



Mike Butterworth
Independent Non-executive Director

Appointed 2022
Mike joined the Board of Focusrite plc as a Non-executive Director and Chair of the Audit Committee in January 2022.

Board tenure
3 years

Career and experience
Mike has over 35 years of experience in finance roles across numerous sectors in both an executive and non-executive capacity. Previously, he was Chief Financial Officer at Cookson Group plc between 2005 and 2013 and Incepta Group plc between 2001 and 2005. More recently, Mike has held a number of non-executive directorships and is currently a Non-executive Director and Chair of the Audit Committee at Hammerson plc and Pressure Technologies plc.

Skills
● ● ● ● ● ●

Francine Godrich
General Counsel and Company Secretary

Appointed 2018
Francine was appointed as General Counsel and Company Secretary in January 2019.

Board tenure
6 years

Career and experience
Francine brings over 20 years of legal expertise to the Group, where she leads our legal team in advising on M&A, intellectual property, corporate governance and more. As Legal Counsel to the Board and senior management, she ensures that every decision is aligned with the Company's strategic goals. In addition to her legal responsibilities, Francine oversees the Group's community engagement initiatives. Before joining Focusrite, she was the General Counsel for a healthcare company and practised corporate law at leading global firms.

Skills
● ● ● ● ● ●



Group Executive Committee

Meet our
leaders

Our senior leadership team is more than just experienced; we're a dynamic force driven by passion and innovation. With decades of collective expertise spanning our industry and beyond, we bring a fresh, broad perspective to every challenge. United by a shared commitment and love for what we do, we drive our Company's vision forward, ensuring that our approach is as dynamic as the people we serve.

Regions



Damian Hawley
Chief Revenue Officer

Appointed 2019
Damian was appointed Chief Revenue Officer in December 2019.

Career and experience
Damian joined Focusrite in 2004 as UK Sales Executive, progressing through various roles before being appointed Sales Director in 2009, and Director of Marketing and Sales in 2014. He also holds Director roles for Focusrite Audio Engineering Limited, Focusrite Novation Asia Ltd, Focusrite Australia Pty Ltd, Focusrite Group US Inc. and Focusrite Group EMEA Ltd. Prior to joining the Company, Damian spent six years working in the technology and business sides of a global investment bank.

Group Functions



Simon Bannister
Chief Information Officer

Appointed 2019
Simon was appointed Chief Information Officer in September 2019.

Career and experience
Simon began his career as an IT Technician in 1998, advancing through technical managerial roles, including Global IT Director at GE Healthcare, where he focused on governance, risk and compliance. He now applies these principles at Focusrite plc. As a keen musician, Simon uses the Group's products in his performances, providing valuable insights that informs both operational IT and customer support platforms.



Alicia Cousins MCIPD
Chief People Officer

Appointed 2021
Alicia was appointed Chief People Officer in September 2021.

Career and experience
With over 20 years in HR, Alicia has been instrumental in shaping the Company's global HR strategy since joining as HR Director for Martin Audio in 2016. Now Chief People Officer, she oversees HR operations for 13 brands and over 560 employees. Alicia specialises in strategic HR leadership, executive coaching and cultural development, and also leads the 'Social' element of the Company's ESG strategy. Previously, she held HR leadership roles at Virgin Experience Days and Fruition Partners/CSC.

Brands



Tim Dingley
Managing Director,
Focusrite & Novation

Appointed 2023
Tim was appointed Managing Director, Focusrite & Novation Brands in September 2023.

Career and experience
Tim joined Focusrite in 2004 as a graduate from Surrey University. He has held various positions within the brand and served as the Director of Operations between 2010 and 2019, helping the business scale from a turnover of £14 million to £84 million during that period. More recently, he served as Chief Operating Officer for the Focusrite Group of companies from 2019 to 2023.



Christian Hellinger
CEO,
ADAM Audio

Appointed 2017
Christian was appointed CEO of ADAM Audio in March 2017.

Career and experience
Christian brings over 25 years of experience in the music and pro audio industry. He founded and led Yellow Tools (1999–2011), specialising in sampling libraries, virtual instruments and audio software. From 2011 to 2017, Christian served as VP of Sales and Business Development at Magix. With a strong commercial and product management background, he now leads ADAM Audio with a focus on innovation and growth.



David Gibbons
CEO,
Sequential

Appointed 2021
David was appointed CEO of Sequential in June 2021.

Career and experience
David has over 25 years of experience in audio and music products, including leading the VENUE live digital mixing console at Avid/Digidesign, growing it to \$35 million annually. He also led audio strategy for a NASDAQ-listed company, driving growth to \$300 million. David has held senior roles at Ustream (acquired by IBM) and Salesforce. Originally from Ireland, he worked as an audio engineer in London before relocating to San Francisco. David is passionate about sound, expressing himself musically through keyboards, voice and guitar.



Rod Densham
Managing Director, Sonnox

Appointed 2007
Rod was appointed Managing Director of Sonnox in April 2007.

Career and experience
Rod has been involved in audio product R&D since the early 1980s, starting at SSL on their digital audio editor project.

He helped establish Oxford Digital in 1988, contributing to Sony's OXF-R3 and later porting algorithms to Sony plugins for Pro Tools. In 2007, Rod led the management buyout from Sony to form Sonnox Ltd, where, as Managing Director, he has focused on growth, new technologies and high-quality products.



Dom Harter
Managing Director, Martin Audio

Appointed 2016
Dom was appointed MD of Martin Audio in March 2016.

Career and experience
Dom joined Focusrite Group with the acquisition of Martin Audio. With a background mixing live shows – something Dom still enjoys – he has

progressed through the industry managing various R&D and Sales teams. Previously Sales Director at Soundcraft/Studer, Dom became Managing Director of Martin Audio in 2016, driving consistent growth. He now leads the Audio Reproduction division, overseeing the Martin Audio, Optimal Audio, Linea Research, OutBoard and TiMax businesses.



Phil Dudderidge
Non-executive Chairman and Founder

“
There is an increasingly diverse range of factors and stakeholders that the Board considers as it steers the business towards a resilient strategy for continued growth, and Board time is balanced between people, sustainability and performance to align with the Group’s purpose and values.

DEAR
SHAREHOLDER

I am pleased to present the Corporate Governance Report for the year ended 31 August 2024 (‘FY24’). The report sets out our governance framework, the Board’s key actions during the year, our approach to the alignment of purpose, values, culture and strategy, and our engagement with stakeholders. There is an increasingly diverse range of stakeholders and factors that the Board considers as it steers the business towards a resilient strategy for continued growth, and Board time is balanced between people, sustainability and performance to align with the Group’s purpose and values.

The Board is mindful that it needs to create the right balance between considering in-year activities and looking ahead at more strategic matters. In addition, the Board has reviewed the Group’s three-year plan to ensure that it remains right through this period of uncertainty and sets the Group on the right course to take advantage of new opportunities and addresses new challenges.

My role as Chairman is to maintain high standards of corporate governance and ensure the Board is suitably equipped to perform its duties. I believe that the Company’s governance structure facilitates the growth and development of the Group, while remaining accountable to its shareholders, employees, partners and regulators. As the Group continues to grow, we will continue to evaluate this structure and will take the governance steps necessary to support the Group’s development.

The Quoted Companies Alliance Code

The AIM Rules for Companies require the Board to apply a recognised corporate governance code. As an AIM-listed company, the Board has chosen to formally apply the Quoted Companies Alliance Corporate Governance Code (the ‘QCA Code’).

The QCA Code was revised in November 2023 with an implementation timetable that would first apply to the Group for the year ending 31 August 2025. During FY24 we have reviewed the revised QCA Code and have taken steps to ensure that we remain in compliance ahead of implementation.

The QCA Code is constructed around ten broad principles and a set of disclosures grouped under three broad headings: **deliver growth**; **maintain a dynamic management framework**; and **build trust**. An overview of how the Company complies with these principles can be found on our website at focusriteplc.com.

The Board

The role of the Board is to promote the long-term sustainable success of the Group, through its direction of the Group’s business, for the benefit of its stakeholders as a whole and contributing to our local communities. To do this we rely on the long and varied expertise the directors bring to the board.

Biographies of the individual Directors which details their careers, experience and skills are provided on pages 64 to 65 and their Board and Committee responsibilities are outlined in this Corporate Governance Report and the Committees’ reports.

The Board is responsible for setting the long-term business strategy and establishing the Group’s purpose, vision and values, which, together, underpin the culture of the business, see pages 18 to 19 for details of our strategy and purpose. The Board assesses the basis on which the Group fulfils its purpose by focusing on a number of key areas that drive the value of the business:

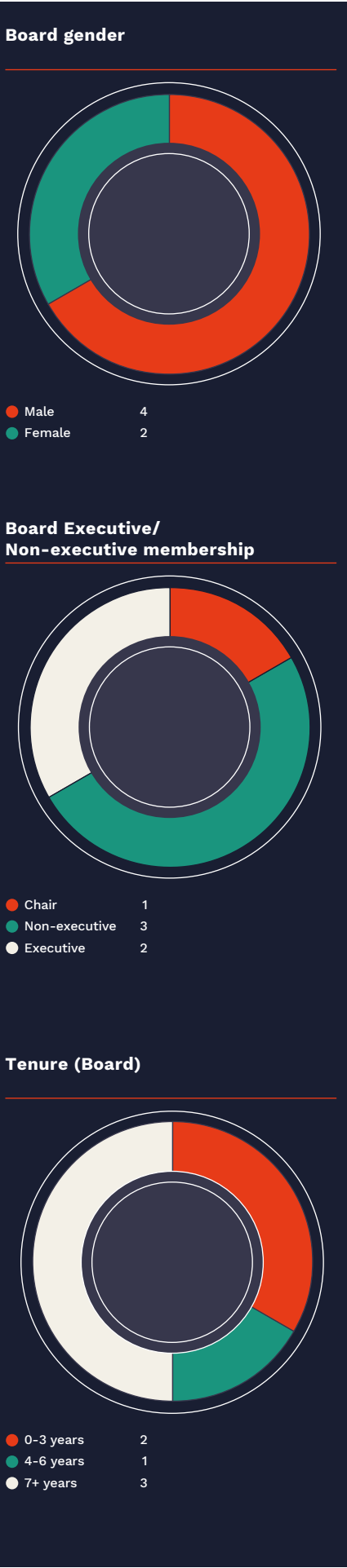


Addressing opportunities and risks to the future success of the Business

The Board’s primary role is to ensure the long-term success of the Group, by delivering sustainable value for all its stakeholders. The Board has responsibility for setting the Group’s strategy and monitoring its execution and for overseeing financial and operational performance.

The sustainability of our business model

Focusrite Group is at the heart of a buzzing industry where we serve a range of customers, from bedroom artists to global stars who headline Glastonbury. Customer demands are constantly changing, and the Board exercises oversight on the Group’s business strategy (see page 71) and through its annual review and appraisal of the three-year plan, to ensure that the Group seize opportunities to help continue building its competitive advantage.



Corporate Governance Report continued

Strategy

The Board remains focused on the Group's strategic direction and is responsible for assessing the appropriateness of the Group's strategy against its vision and values, making adjustments over time as required.

The Board has an engaging and wide-ranging calendar that is devised by the Chairman, CEO, CFO and Company Secretary that allows the directors to receive regular updates from all brand leaders and take deep dives into pertinent matters such as the Group's operations in China and new products.

Close attention is paid to the Group's strategy to ensure it remains fit for purpose and the Board assesses and approves both financial and non-financial targets, including the Group's environmental impact, regulatory issues and any other relevant external matters that may influence or affect the Group's achievement of its objectives, taking into account the benefits the Group's strategy offers to its stakeholders as a whole.

Performance

The Board evaluates and monitors current performance against its agreed budget and is responsible for approving three-year plans, annual budgets, capital commitments, acquisitions, results, dividends and announcements, including the going concern and viability statements. The Board is responsible for ensuring that the necessary financial resources, assets and skills are available to the Group so that it can meet its objectives.

Non-financial performance monitoring includes matters such as health and safety, employee engagement, diversity, and environmental measures such as carbon footprint.

Internal controls and risk management

The Board considers the Group's risk appetite for each principal risk, as set out on pages [34] to [39]. It assesses principal and emerging risks, approves changes to risk evaluation, and reviews and considers the risk mitigation plans. The Board has ultimate responsibility for the Group's risk management and internal control systems, but the monitoring of these systems is delegated to the Audit Committee.

The Board considers and sets the Company's risk appetite for each of the Company's principal risks. It assesses principal and emerging risks, approves changes to risk evaluations, and reviews and considers mitigation plans. The Board also considers the mapping of risk against risk appetite and approves the overall approach to risk management. While the Board has ultimate responsibility for the Company's risk management and internal control systems, monitoring of these systems is delegated to the Audit Committee.

Board effectiveness evaluation

The Board conducts a formal evaluation process every second year. The Board carried out an evaluation exercise in FY24 and is reviewing the findings in order to agree an action plan.

People

The Board receives and considers the analysis of employee engagement surveys, covering each brand's culture, including wellbeing, learning and development, belonging and career progression, noting performance, progress made following previous surveys and next steps. Information relating to employee engagement can be found on pages [50] to [55]. The Board is responsible for succession planning and the remuneration policy for the Chairman and Executive Directors following advice and recommendations made by the Nomination and Remuneration Committees.

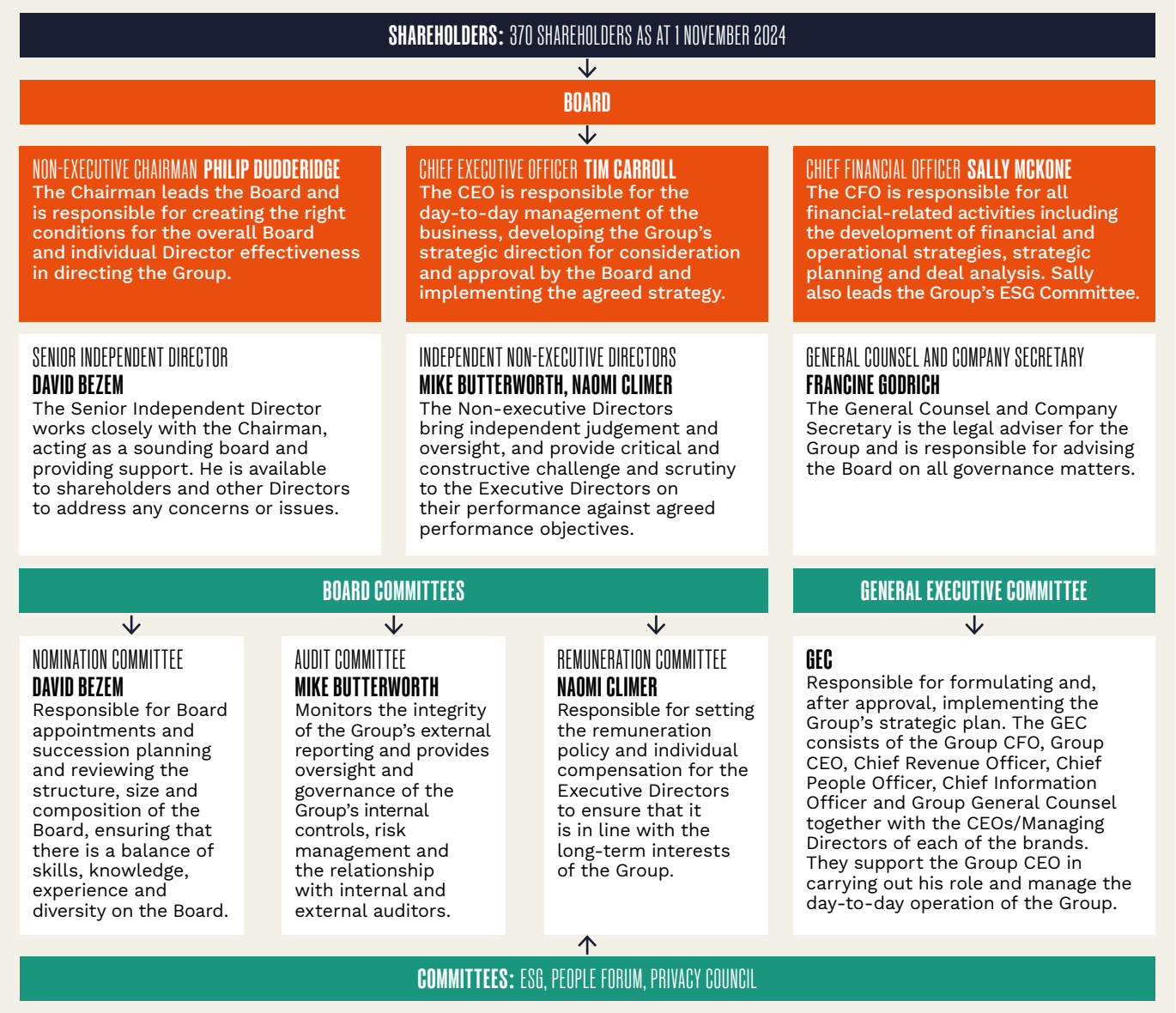
Governance, shareholders and stakeholders

The Board reports to shareholders in the form of an Annual Report and Accounts, trading updates and full and half-year results updates, as well as various other statutory non-financial statements. The Board considers the views of, and effects on, the Company's key stakeholders in Board discussions and decision-making and, going forward, intends to engage in direct discussions with some of the Company's shareholders to obtain their views where appropriate.

How the Board operates

The Board is accountable to shareholders for the actions of the Company. The Articles of Association of Focusrite plc set out the rules agreed between shareholders as to how the Company is run, including the powers and responsibilities of the Directors. These Articles were updated in December 2020 to incorporate best practice and current legal and governance standards.

The Board has a formal schedule of matters specifically reserved for its decision-making and approval. These include responsibility for the overall management and performance of the Group and the approval of its long-term objectives, commercial strategy, annual and interim results, annual budgets, acquisitions, material contracts, major capital commitments, going concern and long-term viability statements, and key policies.



Committees

The Board is assisted by three Board Committees to which it formally delegates matters as set out in each Committee's Terms of Reference, which are reviewed annually.

Terms of Reference for each Committee can be found at focusriteplc.com/investors/corporate-governance.

The reports of the Committees can be found on pages [xx] to [xx]. The Board also has a Disclosure Committee which meets when required. Other than to approve various share dealings by Persons Discharging Managerial Responsibilities, the Disclosure Committee was not called upon to meet during the year. The Board may also call on a number of Directors to form a sub-committee for an individual decision or authorisation.

Delegation of authority

The Board delegates authority for the executive management of the Group to the CEO, other than those matters reserved for decision by the Board and matters delegated to Committees of the Board. The Group has a delegated authority matrix, which is an internal document that sets out the delegations below Board level. It provides a structured framework to ensure the correct level of scrutiny of various decisions, covering matters including contracts, capital expenditure, tax, treasury and people decisions.

Meetings

The annual programme of Board matters is designed to ensure that essential topics are covered at appropriate times and that the Board has the opportunity to have in-depth discussions on key issues with key people.

The Board met 18 times during the year and the Chairman regularly meets with the Senior Independent Director and the other Non-executive Directors without the Executive Directors present, both collectively and individually. In addition, the Chairman discusses matters relevant to the Audit and Remuneration Committees with the Chairs of each on a regular basis. Led by the Senior Independent Director, the independent Non-executive Directors also meet regularly during the year without the Chairman.

The Company Secretary ensures that the Directors receive clear, timely information on all relevant matters. Board papers are circulated electronically via a secure Board portal in advance of meetings to ensure that there is adequate time for them to be read and to facilitate robust and informed discussion. In addition the executive directors are available for individual catch-ups with the Non-executive Directors at all times.

Corporate Governance Report continued

Directors

The majority of the Board are Non-executive Directors and, save for the Chairman, are considered to be independent as to character and judgement and free of relationships and other circumstances which might impact their independence at the time of appointment.

The Chairman is not considered independent due to his founding of the Company and significant shareholding. The roles of the Chairman and CEO are separate and there is a clear division of responsibilities between the two.

Non-executive Director appointments are initially for a period of three years and may be renewed for such further term(s), as the Board may consider appropriate, taking the advice of the Nomination Committee into account, and taking into account both their continued assessed independence, individual contribution and the Group’s future needs. Details of the Executive Directors’ service contracts and the Chairman’s and the Non-executive Directors’ letters of appointment are set out in the Directors’ Remuneration Report on pages 76 to 85. These documents are available for inspection at the registered office of the Company during normal business hours and at the Annual General meeting (‘AGM’).

All Directors stand for annual re-election by shareholders.

Director	Role	Board	Audit	Nomination	Remuneration
Number of meetings held in year		18	2	1	6
Phil Dudderidge	Chairman	17/18	4/4*	1/1	6/6*
Tim Carroll	Chief Executive Officer	18/18	4/4*	N/A	N/A
Sally McKone	Chief Financial Officer	18/18	4/4*	N/A	N/A
David Bezem	Non-executive Director	18/18	4/4	1/1	6/6
Naomi Climer	Non-executive Director	18/18	4/4	1/1	6/6
Mike Butterworth	Non-executive Director	18/18	4/4	1/1	6/6

* Attended by invitation.

Time commitment and external appointments

Non-executive Directors are required to devote sufficient time to their role and responsibilities as a member of the Board and its Committees.

The Nomination Committee considers any existing time commitments of potential new Directors as part of its selection process and prior to any new appointment being approved. All new Directors are required to provide confirmation of their external appointments upon joining the Board. The Company Secretary maintains a record of all external appointments held by the Directors.

Directors’ Indemnity Insurance

The Group maintains Directors’ and Officers’ liability insurance which provides appropriate cover for legal actions brought against a Director. Each Director has been granted indemnities in respect of potential liabilities that may be incurred as a result of their position as an officer of the Company. A Director will not be covered by the insurance in the event that they have been proven to have acted dishonestly or fraudulently.

Conflicts of interest

All Directors have a duty to avoid conflicts of interest and, where they arise, to declare conflicts to the Board, including significant shareholdings. The Board considers and, if thought fit, authorises any potential conflict, and the conflicted Director may not participate in any discussion or vote on the authorisation

Advice and access to employees

All Directors have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters. Directors are also entitled to obtain independent professional advice on any matters related to their responsibilities to the Company, at the Company’s expense.

The Board is authorised to seek any information it requires from any employee of the Company in order to perform its duties.

Training and development

Newly appointed Directors are offered a comprehensive induction on joining the Board, and continuing training and education is available to all Directors to enable them to fulfil their responsibilities as Directors and to develop their understanding of the business. The Company Secretary arranges for external speakers to provide training on specific topics as appropriate. During the year, the Company’s NOMAD provides refresher training on the AIM Rules.

This Governance Statement, including the Audit Committee and Remuneration Committee reports, explains how we have applied the principles and complied with the provisions of the QCA Code.

Philip Dudderidge
Non-executive Chairman and Founder
27 November 2024

Audit Committee Report



Mike Butterworth

DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Audit Committee Report for the year ended 31 August 2024.

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role includes:

- monitoring the integrity of the financial statements (including annual and interim accounts and results announcements);
- reviewing internal control and risk management systems;
- reviewing any changes to accounting policies;
- reviewing and monitoring the extent of the non-audit services undertaken by the external auditor;
- advising on the appointment of the external auditor; and
- meeting with the external auditor outside the Committee schedule to ensure there is full opportunity for discussion.

Members of the Audit Committee

The Committee consists of three independent Non-executive Directors: Mike Butterworth, David Bezem and Naomi Climer. Phil Dudderidge, Tim Carroll and Sally McKone may attend Committee meetings by invitation if required. The Committee met four times during the year.

The Board is satisfied that I, as Chair of the Committee, have recent and relevant financial experience. I am a Chartered Accountant and served as CFO of a FTSE 250 company for eight years until December 2012. I am currently Chair of the Audit Committee of Hammerson plc and Pressure Technologies plc, and previously Cambian Group plc, Johnston Press plc, Kin and Carta plc and Stock Spirits Group plc. The Company Secretary, Francine Godrich, acts as Secretary to the Committee. I report the Committee’s deliberations at the next Board meeting and the minutes of each meeting are made available to all members of the Board.

Duties

The main duties of the Audit Committee are set out in its Terms of Reference, which are available on the Company’s website (focusriteplc.com) and are available on request from the Company Secretary. The main items of business considered by the Audit Committee during the year included:

- appointment of the external auditor and retender for the following period;
- agreement and approval of the external audit plan and fees;
- monitoring the extent of the non-audit services undertaken by the external auditor;
- review of the effectiveness of internal controls and risk management systems;
- reviews of going concern, key judgements and significant accounting policies;
- reviews of the carrying values of intangible assets;
- review of the interim results;
- review of the auditor’s findings from the annual audit including consideration of the external audit report and management representation letter;
- review of the annual financial statements;
- review of the Annual Report to ensure that it is fair, balanced and understandable;
- meeting with the external auditor without management present;
- the agreement of the internal audit programme and review of the internal audit reports;
- review of the IT position of the Group with particular regard to systems development, access controls and cyber security; and
- review of the appropriateness of the Group’s year end.

Audit Committee Report continued

Role of the external auditor

The Audit Committee monitors the relationship with the external auditor, KPMG LLP, to ensure that auditor independence and objectivity are maintained. As part of its review, the Committee monitors the provision of non-audit services by the external auditor. The breakdown of fees between audit and non-audit services is provided in note 10 to the Group's financial statements.

The Audit Committee also assesses the external auditor's independence and performance. KPMG LLP has complied with the partner rotation requirement set out in Ethical Standards for Auditors. James Tracey became the audit partner two years ago, replacing Michael Froom who rotated out in line with Audit guidelines having been audit partner since 2018.

External auditor retender

As an AIM listed company there is no formal requirement as to the retendering of the external auditor. However the Audit Committee decided in the prior year it would be best practice to follow the requirements of the Corporate Governance Code, applicable to companies listed on the main market, which require an audit tender after ten years and a rotation of the external auditor after 20 years. KPMG LLP have been the Group's auditor since the IPO in 2014. As a result between July to September 2024 a competitive retendering exercise was undertaken in respect of the audit for the reporting period commencing 1 September 2024.

The retender process, which was overseen by the Audit Committee, followed the requirements of the Financial Reporting Council's 'Audit Committees and the External Audit: Minimum Standard' as far as practicable although these requirements strictly only apply to FTSE 350 companies. Four auditing firms were invited to tender for the audit, including the incumbents, KPMG LLP, and one of the non-'Big Four' 'Challenger' firms. Presentations were made by each firm to the Audit Committee and a scorecard was used to rank each firm against multiple criteria. Following these presentations, EY LLP were selected to be proposed for appointment as the Group's auditors at the Annual General Meeting in January 2025.

Significant financial judgements and estimates

The significant judgements reviewed by the Committee in respect of the year under review were as follows:

Revenue recognition

Stock is sold and revenue recognised when we have satisfied our performance obligations to distributors and dealers. The key judgement required is in the USA where the Group has a single distributor, American Music & Sound ('AM&S'), which is a division of JAM Industries Limited, who are themselves owned by DCC plc. The Group's subsidiary, Focusrite Group US ('FGUS'), works closely with AM&S to market the Group's products and maintain relationships with AM&S' customers. However, in the judgement of the Directors, the Group does not have continuing managerial involvement over the goods sold to the degree usually associated with ownership and therefore revenue is recognised at the point at which goods are shipped to AM&S.

The reasons for this view include the fact that AM&S has responsibility for providing goods to the customer, responsibility for the collection of payments from their customers and has no right of return to the Group. This judgement is consistent with prior periods.

Impairment testing

For all of the major intangible assets, there is an ongoing review process in which these assets are tested for impairment. The recoverable value of an asset is assessed and, in the event that the recoverable value is less than the carrying value, an impairment is recognised.

Due to ongoing market challenges and delays to new product introductions this has resulted in a further reduction in revenue for our Sequential operating segment. After Board reviews of cashflow models and sensitivities, the decision was made to impair the acquired assets of £15.9 million and goodwill of £2.6 million by £5.4 million. Further details on these assumptions and the resulting impairment are provided in note 19 of the Group Financial Statements.

Other accounting issues

Capitalisation and recoverability of internally generated intangible assets

In line with IAS 38 the Group capitalises product development costs where certain conditions are met. The Committee considered the capitalisation of cost, the commencement of amortisation and the period over which the costs were amortised and concluded that all were acceptable.

The significant estimates reviewed by the Committee in respect of the year under review were as follows:

Acquisition accounting and recoverability of investment

Following the acquisition of Sheriff Technology Limited in December 2023, the majority of the purchase price was allocated to the developed intellectual property and technology in use. This involved the assessment of the fair value of intangibles acquired in which there has been estimation and judgement applied by management. Evelyn Partners LLP was engaged to assist with this valuation to determine which assets were identifiable and the relevant valuation methodology to be used.

Audit Quality Review of KPMG's audit of FY23 financial statements

As part of its routine work, the Financial Reporting Council's Audit Quality Review ('AQR') team performed an inspection of KPMG LLP's audit of Focusrite's financial statements for the year ended 31 August 2023. A copy of their report was provided to the Chair of the Audit Committee and its findings were discussed with both KPMG's audit partner, James Tracey, and AQR staff.

Audit process

The external auditor prepares an audit plan for its review of the full year financial statements, including any acquisitions that have taken place. The audit plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed in advance by the Audit Committee. Following its review, the external auditor presented its findings to the Audit Committee for discussion. No major areas of concern were highlighted by the external auditor during the year. However, areas of significant risk and other matters of audit relevance are regularly communicated. The Committee also formally reviews the effectiveness of the external audit process.

Internal audit

Historically the Group does not utilise a dedicated internal audit function and the Committee believes that management is able to derive assurance as to the adequacy and effectiveness of internal controls and risk management by using outsourced resources to carry out internal audits. A dedicated contract resource was appointed on an interim basis to carry out two of the internal audits, with further support being resourced from RSM, the Group's UK tax advisers, to complete the final element of the work.

An audit programme was agreed for the year focusing on key risk areas. The programme comprised three reviews, financial control processes in Martin Audio and Sonnox and a review of VAT and compliance in the UK, particularly as relating to export. The reviews identified a number of control improvements which management are in the process of rectifying to a timetable approved by the Committee. Three further audits are planned in the coming year, focusing on new acquisitions and risk focus areas.

Change in year end

The Audit Committee agreed a recommendation from management to change the year end from 31 August to 28 February. It was noted that the timing of the current year causes significant workload at time of both with the Group's busiest sales period, as shipments are made to customers ahead of the Christmas and Thanksgiving holidays, and with the summer holiday season for customers, suppliers and staff. As a result of this change, the next statutory reporting period will be for the 18 months to 28 February 2026 with Interim results reported for the six-month periods to 28 February 2025 and the 12 month period to 31 August 2025.

Risk management and internal controls

As described on page 70 of the Corporate Governance Report, the Group has established a framework of risk management and internal control systems, policies and procedures.

The Audit Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively.

During the year, the Committee has reviewed the framework and has had regular updates on the priorities agreed at the end of FY23. In the prior year, the Group and UK Finance teams were strengthened through a restructure, providing each business unit with its own Finance Director, together with the addition of new resources in technical areas in the Group team. A new forecasting and consolidation system is in the process of being implemented across the Group bringing further rigour to our finance processes.

During FY24 the focus will be on strengthening our formal documentation to standardise controls and processes across the Group to an agreed standard and finalising the roll-out of the new forecasting and consolidation system.

Whistleblowing, fraud and the UK Bribery Act

The Group has in place a whistleblowing policy which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. Whistleblowing is a standing item on the Audit Committee's agenda, and regular updates are provided. During the year, no incidents were reported to the Committee.

The Group also has a procedure in place for detecting fraud, and systems and controls to prevent a breach of anti-bribery legislation. All employees are required to participate in an online training course to provide awareness of anti-bribery regulations and controls. The Group is committed to a zero-tolerance position with regard to bribery. During the year, no incidents were reported to the Committee.

Mike Butterworth

Chair of the Audit Committee

27 November 2024

Directors’ Remuneration Report



Naomi Climer
Independent Non-executive Director

DEAR
SHAREHOLDER

Introduction

Focusrite’s performance in the 2024 financial year has been challenged by Content Creation market weaknesses and an industry-wide issue of oversupply in the channel, although evidence based on end user registrations would suggest that we have continued to maintain market share. The diversification of the business across a number of synergistic brands has mitigated the headwinds to some extent, and overall, the Group continues to be well placed to take advantage of a future upturn in the market.

The Remuneration Committee has determined that the financial criteria for the annual bonus have not been met and the individual contributions to developing strategic opportunities for the Group – whilst well above target – were capped by the Remuneration Committee at 65% of their maximum to reflect the Group’s overall performance as detailed on page 82. After a challenging year of continued global and industry-wide headwinds, the Remuneration Committee considers that these bonuses are appropriate and there is good alignment with shareholders’ interests.

The Remuneration Committee keeps under review the Executive Directors’ salaries and other aspects of their remuneration annually, in line with the approach that is being taken for other employees.

This year, considering the market situation and other relevant factors, the decision was made to award pay increases to the Executive Directors at a level of the general staff increases, resulting in a 3% salary increase for both Tim Carroll and Sally McKone.

The Remuneration Committee has previously signalled that it believes it is important to introduce ESG criteria into the Executive remuneration structure, and we now have a mature “S” objective, Employee NPS, which is ready for implementation into the Executive remuneration programme and an “E” objective which the Remuneration Committee will keep under review for possible future inclusion in incentive design.

As a company admitted to AIM, Focusrite plc is not required to prepare a Directors’ Remuneration Report. However, the Board supports the principle of transparency

and has therefore prepared this report in order to provide useful information to shareholders on its Executive remuneration arrangements.

Although not required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the ‘Regulations’), the Company has used these Regulations, and those recommended by the Quoted Companies Alliance (‘QCA’), as guidance for presenting selected disclosures where it considers these to be relevant, helpful and appropriate. Accordingly, this report sets out information about the remuneration of the Directors of the Company for the 2024 financial year and, as appropriate, the following year. In keeping with the updated QCA Corporate Governance Code (‘QCA Code’), this Directors’ Remuneration Report will be put to an advisory shareholder vote for the first time at the Annual General Meeting (‘AGM’) in January 2025.



The group continues to be well placed to take advantage of a future upturn in the market.

Remuneration Committee

The members of the Remuneration Committee are Naomi Climer (Chair), David Bezem and Mike Butterworth, who are all independent Non-executive Directors. Attendance at meetings of the Remuneration Committee by individual members is detailed in the Corporate Governance Report on page 72.

The Chairman, Phil Dudderidge, is invited to attend the meetings and the CEO, Tim Carroll, and external advisers may be invited to attend meetings, too. They do not take part in the decision-making and are absent when their own remuneration is being discussed. The Company Secretary, Francine Godrich, acts as Secretary to the Committee.

Terms of Reference have been approved for the Remuneration Committee and are reviewed annually. The Committee’s primary responsibility is to determine, on behalf of the Board, the remuneration of the Executive Directors and to review the remuneration of such other members of the senior management team of the Group as is deemed appropriate. The remuneration of the members of the Committee is determined by the Board.

The Committee members have no personal financial interest, other than as shareholders in the Company, in the matters to be decided. They have no conflicts of interest arising from cross-directorships or from being involved in the day-to-day business of the Group. None of the Committee members or Phil Dudderidge participates in any bonus, share awards or pension arrangements.

Directors’ remuneration policy

This section sets out the Directors’ remuneration policy (the ‘Policy’). In keeping with the QCA Code, this will be put to an advisory shareholder vote for the first time at the 2025 AGM. The Policy has been developed by the Remuneration Committee taking into account the regulations applicable to FTSE Main Market companies, the principles of the QCA Code and relevant UK institutional investor guidance. It applies from 1 September 2024 and any future material changes proposed to this shall be submitted to a further advisory shareholder vote at the appropriate time.

The Committee’s principal aims in setting a remuneration policy are to attract, retain and motivate high-calibre senior management, to focus them on the delivery of the Group’s strategic and business objectives, to promote a strong and sustainable performance culture, and to align the interests of Executive Directors and other senior members of the management team with those of shareholders.

The package for each Executive Director is designed to include performance- and non-performance-related elements appropriate for a Group whose objectives include continued growth over the medium term. Fixed pay elements include salary, taxable benefits and employer pension contributions. Other components of the remuneration package comprise a mixture of cash and share-based remuneration, and short- and long-term incentives, as set out below.

Directors’ remuneration policy table

This section describes the key components of the Executive Director remuneration package.

Element and purpose	Operation	Opportunity	Performance linkage
Base salary Provides a competitive level of fixed remuneration, to help attract and retain individuals with the relevant experience and skillset to achieve the Group’s strategic aims.	Base salaries are generally reviewed annually, with reference to individual performance (and that of the Company as a whole) and the salary increases awarded to other employees. The Committee also considers salary levels at companies of comparable sector, size and complexity when determining increases.	There is no maximum salary. Salaries are set to reflect an individual’s role, responsibilities and experience. Salary increases will normally be within the range awarded to other employees. However, higher increases may be awarded in circumstances including, but not limited to, sustained strong individual performance, a material change in the responsibility, size or complexity of the role, or if an individual is intentionally appointed on a below-market salary.	Not applicable.
Benefits Provides a competitive level of benefits in the market in which the individual is employed.	Benefits include life assurance, health insurance, critical illness insurance, travel insurance and may also include other benefits as deemed appropriate (including those to which the wider workforce becomes eligible in the future).	The cost of benefits changes in accordance with market conditions, which will determine the maximum amount under this Policy.	Not applicable.

Directors’ Remuneration Report continued

Element and purpose	Operation	Opportunity	Performance linkage
Pension Provides post-retirement benefits for participants in a cost-efficient manner.	Defined contribution scheme (or a cash allowance in lieu).	Aligned with the level available to the workforce, currently 3% of salary.	Not applicable.
Annual bonus Rewards achievement of annual goals.	<p>Performance measures are set by the Committee at the start of the year and are weighted to reflect a balance of financial and strategic objectives.</p> <p>At the end of the year, the Committee determines the extent to which these have been achieved.</p> <p>Payments are usually in cash. However, Executive Directors may elect to receive a portion of their bonus in the form of shares. If they elect to do so, the Company makes a Matching Award of shares, subject to the deferred shares and the Matching Award (after satisfying tax payments arising in respect of this remuneration) being held for at least two years, including if the Director is no longer employed by the Company.</p> <p>Bonus payouts and Matching Awards are subject to clawback and malus provisions.</p>	<p>Up to 100% of base salary, with up to a further 50% of salary in matching shares awarded on a 1:1 basis on any voluntary deferral of bonus into shares.</p> <p>Financial measures will normally constitute at least 80% of the total bonus opportunity.</p> <p>The Committee retains discretion to adjust the bonus outcome if it considers the payout to be inconsistent with the Company’s underlying performance when taking into account any factors it considers relevant.</p>	<p>Bonuses may be based on a combination of financial and non-financial measures. Details of the measures and targets will normally be disclosed retrospectively in the relevant Remuneration Report.</p> <p>The Committee retains discretion to adjust the bonus outcome if it considers the payout to be inconsistent with the Company’s underlying performance when taking into account any factors it considers relevant.</p>
Long-term incentive Incentivises and rewards the achievement of longer-term value creation objectives, creates alignment of executive and shareholder interests, supports retention and promotes executive share ownership.	<p>Awards may be granted annually as a combination of Performance and Restricted Awards, in the form of nominal-cost options.</p> <p>Performance Awards ordinarily vest subject to continued employment and achievement of performance conditions, typically over three years.</p> <p>Restricted Awards ordinarily vest subject to continued employment only, typically three years after grant and subject to a discretionary underpin based on the broader performance context.</p> <p>Malus and clawback provisions apply to all Awards.</p>	<p>Normally up to 100% of salary per annum when valued in Performance Award equivalents (using a 2:1 ratio to value Restricted Awards).</p> <p>Over this Policy’s life, the annual opportunity will normally comprise a Performance Award with a face value of 50% of salary, and a Restricted Award with a face value of 25% of salary. However, the Committee retains discretion to adjust this split at the start of each cycle to align with the Company’s strategy at the time. However, it is not anticipated that the Company will use only a Restricted Award during the life of this Policy.</p> <p>No more than 20% of the Performance Award will vest for achieving threshold performance, rising to 100% at stretch performance.</p>	<p>The measures on which the vesting of Performance Awards will be subject shall be selected, and targets set, at the start of the performance period and shall align with the Company’s strategy.</p> <p>The Committee retains discretion to adjust vesting outcomes if it considers that the level of vesting is inconsistent with the Company’s underlying performance when taking into account any factors it considers relevant.</p>

Malus and clawback

Payments and awards under the annual bonus and long-term incentive plan are subject to malus and clawback provisions, which can be applied to both vested and unvested awards. Malus and clawback provisions will apply for a period of at least two years after payment or vesting. Circumstances in which malus and clawback may be applied include gross misconduct or a material misstatement of the Group’s financial statements and corporate failure. Participants are required to acknowledge their understanding and acceptance of these provisions as a condition of receiving an annual bonus and are included in the legal documentation for the long-term incentive plan.

Remuneration Committee discretion

To ensure fairness and align Executive Director remuneration with underlying individual and Group performance, the Committee may exercise its discretion to adjust the outcome of the annual bonus or, within the limits of the relevant plan rules, the long term incentive plan awards for exceptional events. These may include, but are not limited to, corporate transactions, factors outside reasonable management control, changes in the Group’s accounting policies, and administrative matters.

Approach to recruitment remuneration

External appointment

When hiring or appointing a new Executive Director from outside the Group, the Committee may make use of all existing components of the Remuneration Policy operating at that time, as set out in the table above, to structure the annual remuneration package. In addition, the Committee may make an award under a different structure to replace incentive arrangements forfeited on leaving a previous employer (a Buy-out Award). Any such award (which would be disclosed in the relevant Remuneration Report) would typically have a fair value no higher than that of the awards forfeited, taking into account relevant factors including performance conditions, the likelihood of those conditions being met and the proportion of the vesting period remaining.

Internal promotion to the Board

In cases of appointing a new Executive Director via internal promotion, the Policy will be consistent with that for external appointees detailed above (except in relation to Buy-out Awards). Where an individual has contractual commitments made prior to their promotion to Executive Director, the Company will continue to honour these arrangements even if there were instances where they would not otherwise be consistent with the prevailing Directors’ remuneration policy in operation at the time of promotion.

Service contracts

The Executive Directors are employed under contracts of employment with Focusrite plc. The CEO contract may be terminated on twelve months’ notice given by either party and the CFO contract may be terminated on six months’ notice given by either party. The following table shows the date of the contract for each Executive Director who served during the year:

Executive Director	Date of appointment	Date of service agreement	Notice period (months) (employer/employee)
Tim Carroll	1 January 2017	5 December 2016	12/12
Sally McKone	1 March 2021	28 August 2020	6/6

Directors’ Remuneration Report continued

Payment for loss of office or change of control

There are no predetermined special provisions for Executive Directors with regard to compensation in the event of loss of office. The Group’s policy on exit payments is to limit severance payments on termination to pre-established contractual arrangements comprising fixed pay and any other statutory payments only. In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans.

There is no automatic entitlement to bonus or the vesting of long-term incentives on termination. However, the Committee retains the discretion to pay an annual bonus on cessation of employment, the amount of which will be determined in the context of the time served during the performance year, the performance of the Company and of the individual over the relevant period, and the circumstances of the Director’s loss of office. If Company or individual performance has been poor, or if the individual’s employment has been terminated in circumstances amounting to misconduct, no bonus will be payable. Matching awards do not lapse on termination, subject to the Director evidencing that they continue to hold these and the deferred shares for the holding period (which shall expire on a change of control).

The rules of the long-term incentive plan set out treatment if a Director leaves employment prior to awards vesting. If the Director is considered a good leaver (through injury, disability, death, redundancy, retirement or other such event as the Committee determines), then awards would normally be pro-rated for time and vest on the normal vesting date based on performance over the original performance period. In the event of a change of control, an award may vest early subject to the extent the performance conditions have been achieved and scaled back pro rata for service. The Committee retains discretion, where permitted by the plan rules, to alter these default provisions on a case-by-case basis, following a review of circumstances and to ensure fairness for shareholders and participants.

Non-executive Directors

This section of the Report describes the remuneration arrangements for the Non-executive Directors.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Annual fee To attract and retain high-calibre Non-executive Directors.	Annual cash fees paid to the Chairman and other Non-executive Directors are reviewed periodically. An additional fee is payable to the Senior Independent Director, and also in respect of chairing a Board Committee.	Annual fees are applied in line with the outcome of each periodic review. The aggregate fees payable to Non-executive Directors are limited by the Articles of Association of the Company.	None.

None of the Non-executive Directors has a service contract with the Company. They have letters of appointment, which provide that no compensation is payable on termination. The appointments are terminable by the Company or the Non-executive Directors on six months’ notice. The Non-executive Directors do not participate in any of the incentive plans, nor do they receive benefits. The dates relating to the appointments of the Chairman and Non-executive Directors who served during the reporting period are as follows:

Non-Executive Director	Position	Date of appointment	Date of letter of appointment	Date of election/ re-election
Phil Dudderidge	Non-executive Chairman	1 January 2022	17 December 2021	19 January 2024
David Bezem ¹	Senior Independent Director	5 December 2014	17 December 2021	19 January 2024
Mike Butterworth	Non-executive Director	1 January 2022	17 December 2021	19 January 2024
Naomi Climer	Non-executive Director	25 May 2018	17 December 2021	19 January 2024

1 David Bezem was appointed Non-executive Director of the Company for an initial period of three years from the IPO in December 2014. His appointment was extended for further three-year periods on 21 December 2017 and again on 20 December 2020. On 1 September 2023 the Board resolved to extend his term on a rolling annual basis at each AGM.

The terms of appointment for a new Non-executive Director would be in accordance with the Remuneration Policy for Non-executive Directors as set out in the table above. All Non-executive Directors’ appointments are subject to approval by shareholders annually at the AGM.

Statement of consideration of employment conditions elsewhere in Company

When setting the Policy for Executive Directors’ remuneration, the Committee has regard to the pay and employment conditions elsewhere within the Group. The Committee is kept informed on a regular basis of salary increases for the general employee population and takes these into account when determining salary increases for Executive Directors and the executive management team.

Statement of consideration of shareholder views

The Committee is mindful of the views of shareholders in determining appropriate levels of remuneration and in ensuring that shareholder and Director interests are aligned. The Committee is committed to an ongoing dialogue with shareholders.

Base salary

Base salaries are reviewed annually and determined taking account of individual performance, scope of responsibility, market context and the treatment of staff pay levels within the Group. The Executives’ base salaries for the 2024 financial year are set out in the table on page 85. As a result of the annual review, Tim Carroll’s base salary will be increased to £400,780 and Sally McKone’s base salary will be increased to £285,210 from 1 September 2024.

Performance-based annual bonus

The Executive Directors were entitled to discretionary performance-based annual bonuses for the financial year ended 31 August 2024.

The annual bonus for the 2024 financial year was based on three performance criteria:

- 65% on adjusted EBITDA;
- 15% on adjusted free cash flow as a proportion of adjusted EBITDA; and
- 20% on individual contribution to developing strategic opportunities for the Group (assessed both quantitatively and qualitatively by the Committee).

The three performance criteria operated independently of one another.

The maximum cash bonus for both Tim Carroll and Sally McKone was 100% of annual base salary, unchanged from previous years.

In addition, the Executive Directors had the opportunity to elect to receive a portion of any cash bonus in the form of shares up to a maximum value of 50% of their respective base salary. To the extent they elected to do so, the Company undertook to make a matching award of shares (the ‘matching shares’). This was subject to the condition that both the shares they elected to receive out of their cash bonus and the matching shares would be held for not less than two years, including if they were no longer employed by the Company, other than to satisfy any tax payments arising in respect of this remuneration. This arrangement is broadly consistent with that adopted in previous financial years with an increased match that is designed to accelerate the rate at which the Executive Directors acquire shares in the Company.

The strategic element of the bonus (20%) comprised three quantitative strategic targets as well as a qualitative strategic objective. The quantitative objectives were Customer Net Promoter Score, Employee Net Promoter Score, and a New Product Introduction target. The Committee determined that individual contributions to developing strategic opportunities for the Group warranted a 65% payout of that element. All measures were considered at least on target and two were close to maximum. However, the Committee applied a discretionary adjustment and capped the result of the strategic element of the bonus at 65% of the maximum to reflect the overall financial performance in year.

Directors’ Remuneration Report continued

Performance range below which no bonus is paid and above which no additional bonus is paid, and calculated on a straight-line basis between Threshold and Target as well as between Target and Maximum					
	Performance criterion	Threshold	Target	Maximum	Actual
Tim Carroll	Adjusted EBITDA ¹	£36.5m	£39.9m	£41.5m	£25.2m ¹
	Cash bonus entitlement	£0	£151,749	£252,915	£0
	% salary	0%	39%	65%	0%
	Free cash flow % of EBITDA ²	6.7%	9.0%	11.9%	-17.9% ²
	Cash bonus entitlement	£16,342	£35,019	£58,365	£0
	% salary	4%	9%	15%	0%
	Strategic bonus cash settlement	–	–	£77,820	£50,583
	% salary	–	–	20%	13%
	Total cash bonus	£16,342	£186,768	£389,100	£50,583
Sally McKone	Adjusted EBITDA ¹	£36.5m	£39.9m	£41.5m	£25.2m ¹
	Cash bonus entitlement	£0	£107,991	£179,985	£0
	% salary	0%	39%	72%	0%
	Free cash flow % of EBITDA ²	6.7%	9.0%	11.9%	-17.9% ²
	Cash bonus entitlement	£11,630	£24,921	£41,535	£0
	% salary	4%	9%	15%	0%
	Strategic bonus cash settlement	–	–	£55,380	£35,997
	% salary	–	–	20%	13%
	Total cash bonus	£11,630	£132,912	£276,900	£35,997

1 Adjusted EBITDA is as per the value published in the accompanying financial statements.
2 Adjusted free cash flow is as defined in note 5 of the Group financial statements.

Long-term share incentives

The following table shows details of the awards made to Tim Carroll and Sally McKone, as well as other senior management, under the Focusrite Performance Share Plan (‘PSP’) which had not vested or lapsed as at 31 August 2024.

PSP awards to Executive Directors and other senior managers				
Grant date	17-Nov-21	20-Dec-22	28-Nov-23	
Terms:				
Performance period – three years to:	31-Aug-24 ³	31-Aug-25	31-Aug-26	
Performance criterion: adjusted EPS CAGR ¹	10% to 18% or greater			
Performance criterion: 3 year cumulative EPS ²		128.5p to 151.6p or greater	131.7p to 143.3p or greater	
Proportion of award vesting	20% to 100%	20% to 100%	20% to 100%	
Exercise price	0.1p	0.1p	0.1p	
Options granted:				
Tim Carroll	18,247	45,238	84,956	
Sally McKone	14,311	32,143	60,458	
Other senior managers	34,612	64,337	132,038	
Vesting (%)	0%	N/A	N/A	
Shares vesting:				
Tim Carroll	–	N/A	N/A	
Sally McKone	–	N/A	N/A	
Other senior managers	–	N/A	N/A	

1 Compound annual growth rate.
2 Cumulative EPS – based on adjusted diluted EPS.
3 Due to vest on 17 November 2024.

Directors’ Remuneration Report continued

Awards to be made in the 2025 financial period

Following the announcement of results in respect of the 2024 financial year, it is intended to grant Performance Awards and Restricted Awards to Tim Carroll and Sally McKone as well as other senior management. The introduction of Restricted Awards alongside Performance Awards follows a review by the Committee of its approach to long-term incentivisation, particularly in the context of the volatility in the Company’s markets and the impacts this has on the extent to which Performance Award outcomes reflect the Company’s underlying performance.

The Committee also notes that the US represents a key talent market for the Company, and from which the current and previous CEOs were recruited. As such, being able to offer a package structure that better aligns with typical US practices (where hybrid structures are the norm) will help to ensure the Company is competitive in that talent market. However, the Committee has maintained the same overall annualised award opportunity as granted previously by exchanging 50% of salary in Performance Awards on a 2:1 ratio with 25% of salary in Restricted Awards.

The structure of awards to be made in the 2025 financial period will be in line with the Policy outlined earlier in this report, except that the opportunity will be set at 1.5 times the normal annual award level set out therein. This increase in the award opportunity offsets the impact of the proposed change in the Company’s financial year end; the performance conditions attaching to the Performance Awards will be assessed over a three-and-a-half-year period ending 29 February 2028, and Performance and Restricted Awards will vest as soon as practicable following that date. The next awards will be made in 18, not 12, months’ time to bring the granting cadence into line with the new financial reporting cycle.

Performance Awards will vest subject to EPS growth over the three-and-a-half-year period to 29 February 2028. Targets will be set on the basis of a CAGR ranging from 10% to 18%, set to be challenging while nevertheless appropriately realistic so as to be motivational in the context of ongoing volatility in the Company’s markets. Restricted Awards will vest, subject to continued employment over the vesting period and the Committee deeming a discretionary underpin based on the Company’s broader performance context to have been met. All awards will be subject to malus and clawback provisions which are enshrined in the deed. Details of all awards made in the 2025 financial period will be set out in next remuneration report.

Long-term incentives for other employees

A Company Share Option Plan (‘CSOP’) was introduced in the 2018 financial year, operating in a similar way to a conventional option scheme with grants of awards with an exercise price equivalent to the market price at the time the award is made and, as a CSOP, has certain tax advantages for employees. The awards vest in equal tranches after three, four and five years from the date of grant. The last of such grants was awarded in 2020, and since that date the existing PSP was extended more deeply into the Group than in previous years. No Directors participate in the CSOP.

Dilution

All the Group’s equity-based awards are subject to an overall limit on the number of new ordinary shares that can be issued which will be dilutive. Other than awards to be satisfied by shares held by the Employee Benefit Trust (‘EBT’) at the time of the IPO, these must not, in aggregate, exceed 10% of the Company’s issued share capital over any rolling ten-year period post-IPO. Over the period since the IPO, which is less than ten years, a total of 1,136,639 shares have been issued in respect of vesting long-term Incentive Plans (‘LTIPs’) and bonus awards. The following table illustrates the outstanding share awards and potential maximum net dilution as at 31 August 2024.

Plan	Maximum number of shares relating to award	% of issued share capital
Tim Carroll – PSP	179,641	0.3%
Sally McKone – PSP	113,044	0.2%
Other senior management – PSP	354,768	0.6%
Other employee share option plans – CSOP	292,946	0.5%
Options outstanding at end of period	940,399	1.6%
Less: unallocated issued shares held in EBT ¹	(262,929)	(0.4%)
Potential maximum net dilution	677,470	1.2%

1 Represents the number of shares held by the EBT as at the IPO and since issued into the EBT less the number of shares used by the EBT to satisfy options that have vested and been exercised.

Directors’ emoluments table

		Salary/ fees £'000	Other taxable benefits £'000	Annual bonus £'000	Pension contribution £'000	Total £'000
Executive Directors						
Tim Carroll ¹	FY23	380	3	232	10	625
	FY24	389	2	56	10	457
Sally McKone ²	FY23	270	1	205	7	483
	FY24	277	2	72	7	358
Non-executive Directors						
Phil Dudderidge ³	FY23	192	5	–	–	197
	FY24	198	4	–	–	202
David Bezem ⁴	FY23	57	–	–	–	57
	FY24	60	–	–	–	60
Naomi Climer ⁵	FY23	57	–	–	–	57
	FY24	60	–	–	–	60
Mike Butterworth ⁶	FY23	57	–	–	–	57
	FY24	60	–	–	–	60

1 The bonus for Tim Carroll comprises £45,283 paid in cash (FY23: £155,200), £5,300 taken as shares (FY23: £38,600) and £5,300 in the form of matching shares (FY23: £38,600).
The pension contribution was taken as additional income net of the appropriate percentage of income tax and Employer’s National Insurance which would not otherwise have fallen due.

2 The bonus for Sally McKone comprises £nil (FY23: £70,200) paid in cash, £35,997 taken as shares (FY23: £67,500) and £35,997 in the form of matching shares (FY23: £67,500).

3 The remuneration for Phil Dudderidge comprises a Chairman’s fee/salary of £198,000 (FY23: £192,000).

4 The remuneration for David Bezem comprises a basic fee of £49,350 per annum for his role as Non-executive Director of the Group and an additional £10,500 per annum for his role as Senior Independent Director.

5 The remuneration for Naomi Climer comprises a basic fee of £49,350 per annum for her role as Non-executive Director of the Group and an additional £10,500 per annum for her role as Chair of the Remuneration Committee.

6 The remuneration for Mike Butterworth comprises a basic fee of £49,350 per annum for his role as Non-executive Director of the Group and an additional £10,500 per annum for his role as Chair of the Audit Committee.

Approval

This report was approved by the Directors and signed by order of the Board.

Naomi Climer
Chair of the Remuneration Committee

27 November 2024

Directors’ Report

For the year ended 31 August 2024

- The Directors present their report and audited financial statements for the year ended 31 August 2024.
- Focusrite plc (the ‘Company’) is listed on the Alternative Investment Market (‘AIM’), a market operated by the London Stock Exchange.
- Pursuant to section 414c, Companies Act 2006, certain information required to be included in the Directors’ Report has been included in the Strategic Report:
 - information in respect of employee matters (including implementing hybrid working, details on sharing best practice across the Group, remaining focused on employee engagement and our approach to ongoing employee learning and development) (see People on page 52);
 - likely future developments (see Chief Executive’s Report on page 24);
 - risk management (see Principal Risks and Uncertainties on page 36);
 - details on how the Directors have had regard to the need to foster business relationships with stakeholders (see page 59); and
 - greenhouse gas emissions (see pages 44 to 51).

AGM Notice

The Company’s Annual General Meeting (‘AGM’) will be held at Artisan, Hillbottom Road, High Wycombe HP12 4HJ on Friday, 31 January 2025 at 12 noon.

Capital – shares and major shareholders

Details of the Company’s share capital are shown in note 29 to the financial statements. As at the financial year end 31 August 2024, the Company had 59,211,639 ordinary shares of £0.001 each in issue (31 August 2023: 59,211,639). The shares are traded on AIM, a market operated by the London Stock Exchange. The rights and obligations attached to the shares are set out in the Company’s Articles of Association which are available at focusriteplc.com/investors/aim-rule-26. As at 6 November 2024, the Company had been notified of the following substantial interests in 3% or more of its ordinary shares:

Shareholder	6 November 2024	% IC
Focusrite Plc Directors & Related Parties (London)	20,683,957	34.93
Liontrust Asset Management (London)	8,923,017	15.07
Canaccord Genuity Wealth Management (London)	4,067,169	6.87
Charles Stanley (London)	3,573,633	6.04
Sanford DeLand Asset Management (Manchester)	2,985,000	5.04

Note: These holdings may have changed since the Company was notified. Notification of any change is not required until the next notifiable threshold is crossed.

As at 31 August 2024 the EBT held 588,017 ordinary shares of £0.001 each for the satisfaction of future vesting share options (2023: 624,173). The EBT has waived its right to dividends.

Details of ordinary shares under option in respect of the Company’s share schemes are shown in note 32 to the financial statements.

The Articles of Association do not contain any restrictions on the transfer of ordinary shares in the capital of the Company other than the usual restrictions, which are applicable where a share instrument is not duly stamped or certified as exempt from stamp duty, is in respect of more than one class of share, relates to joint transferees and such transfer is in favour of more than four such transferees, or relates to shares that are not fully paid. The rules of the CSOP set out the consequences in the event of a change of control.

Corporate governance

The Company’s statement on corporate governance can be found in the Corporate Governance Report on pages 68 to 72. The Corporate Governance Report forms part of this Directors’ Report and is incorporated into it by cross-reference.

Directors and their interests

Directors in the year ended 31 August 2024:

- Philip Dudderidge
- Timothy Carroll
- Sally McKone
- David Bezem
- Naomi Climer
- Mike Butterworth

Details of each Director’s contractual arrangements, including notice periods, are included as part of the Directors’ Remuneration Report on pages 76 to 85 and that information is incorporated by reference into the Directors’ Report. The Directors’ shareholdings can be viewed on the Focusrite plc website: focusriteplc.com/investors/significant shareholders.

Directors are subject to annual re-election in line with best practice and details of Directors’ remuneration, service agreements and interests in the share capital of the Company are given in the Directors’ Remuneration Report on pages 76 to 85.

The Chairman owns a small property, part of which the Group leases. Details are in note 35 to the financial statements. Other than this, no Director has had any material interest in any contract of significance with the Company or any of its subsidiaries during the year under review.

Dividends

Subject to shareholder approval at the AGM on 31 January 2025, the Board proposes paying a final dividend of [4.5]p per ordinary share (2023: 4.5p) on 7 February 2025 to the shareholders on the register at the close of business on 24 December 2024.

Employees

The Company’s strategy is to be a great place to work. Part of this means ensuring adequate provision for the welfare and health and safety of its employees and of other people who may be affected by our activities, and the Group is committed to ensuring there are equal opportunities for all employees, irrespective of age, sex, gender, ethnicity, race, religion and belief, sexual orientation, pregnancy and maternity, disability and marital status. All people are treated fairly and equally. Applications for employment are reviewed equally, with a focus on applicants’ ability, experience and the requirements of the job.

Ethical business practices

The Company has a zero-tolerance approach to bribery and corruption and is committed to ensuring that it has effective processes and procedures in place to counter that risk. A formal anti-bribery policy is in place and training is undertaken annually. The policy is reviewed on a regular basis by the Audit Committee. The anti-bribery policy and whistleblowing policy are reviewed annually by the Audit Committee. The Company is committed to conducting business responsibly and takes action to ensure that our supply chains operate to those same high standards, including in relation to employment practices, workplace conditions and, more specifically, the prevention of forced, bonded and trafficked labour. This is upheld through the Group’s policies and processes which are fully supported by the Board. The steps taken to help manage the risks outlined by the legislation are detailed in our Modern Slavery statement which is published annually on our website.

Going concern

Directors considered the going concern assumption and after careful enquiry and review of available financial information, including detailed projections of profitability and cash flows for a period of at least 12 months from the date of the approval of these financial statements (‘the going concern period’), the Directors believe that the Group has adequate resources to continue to operate for the going concern period and that it is therefore appropriate to continue to adopt the going concern basis of accounting in the preparation of the consolidated and Company financial statements.

Shareholder and voting rights

All members who hold ordinary shares are entitled to attend and vote at the AGM. The Notice of Meeting specifies the deadlines for exercising voting rights. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and voting rights. There are no restrictions on the transfer of ordinary shares in the Company other than certain restrictions imposed by laws and regulations (such as insider trading laws and market requirements relating to closed periods) and requirements of internal rules and procedures whereby Directors and certain employees of the Company require prior approval to deal in the Company’s securities.

Statement as to disclosure of information to the auditor

The Directors have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. The Directors have individually confirmed that they have taken all reasonable steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor. As noted in the Audit Committee Report the Group carried out a competitive audit tender this year, and as a result will propose that EY LLP be appointed as the external auditor at the AGM in accordance with Section 489 of the Companies Act 2006.

Non-financial and sustainability information statement

This is now the second year that we are in scope for the UK’s Climate-related Financial Disclosures (‘CFD’) framework (see page 46). We have not fundamentally altered our disclosure this year as we believe it to be consistent with what we reported in FY23, and have instead focused on both completing our first CDP report, and including a narrative first look at a Net Zero Transition Plan for the Group.

By order of the Board

Francine Godrich
Company Secretary

27 November 2024

Statement of Directors’ Responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange, they are required to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards (‘IAS’) and applicable law and they have elected to prepare the Parent Company financial statements with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- for the Parent Company financial statements, state whether they have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (‘FRS 101’);
- assess the Group and Parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report and a Directors’ report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor’s Report to the members of Focusrite plc

1. Our opinion is unmodified

We have audited the financial statements of Focusrite plc (“the Company”) for the year ended 31 August 2024 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company Balance Sheet, the Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the parent Company’s affairs as at 31 August 2024 and of the Group’s profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards, including FRS 101 Reduced Disclosure Framework (“*Reduced Disclosure Framework*”); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality:		
Group financial statements as a whole		£0.35m (2023: £1.1m) 4.4% (2023: 4.8%) of normalised Group profit before tax
Coverage		82% (2023: 82%) of Group profit before tax
Key Audit Matters		vs 2023
Recurring risks	Revenue recognition	↑
	Recoverability of the parent Company’s investment in subsidiaries	↔
	Recoverability of the parent Company’s debtor due from Group entities	↔
Event driven	New: Impairment of goodwill and non current assets related to Sequential CGU	↑

Independent Auditor’s Report to the members of Focusrite plc continued

2. Key Audit Matters: our assessment of risks of material misstatement

Key Audit Matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Revenue recognition (£158.5 million; 2023: £178.5 million) <i>Refer to page 74 (Audit Committee Report), page 109 (accounting policy) and page 112 (financial disclosures).</i>	Completeness of 2024 revenue: There continues to be pressure on the Group to meet the performance expectations of the wider stakeholder group, including investors. The majority of the Group’s sales arrangements are straightforward, with revenue being recognised at the point of despatch, and therefore requiring little judgement and estimation. The risk is specifically relating to the incentive for management to manipulate the results in order to achieve those performance expectations. As a result, there is a risk that management may override controls intentionally and delay recognition of FY24 revenue into the next financial period in order to assist in achieving financial targets.	We performed the detailed tests below rather than seeking to rely on any of the Group’s controls because our knowledge of the design of these controls, and related IT controls indicated that we would not be able to obtain the required evidence to support reliance on controls. Our procedures included: <ul style="list-style-type: none">– Tests of details: We inspected the terms of the contracts with a sample of key customers to understand whether revenue has been recognised in the correct period;– Tests of details: We inspected a sample of sales, and vouched these to supporting documentation such as delivery notes, to assess whether revenue has been recognised in the correct period. These sales were selected using a risk based approach which highlighted customers with an abnormal value or volume of transactions close to the year end, compared to their activity throughout the year; and– Tests of details: We obtained direct confirmations for the largest customer to verify the total revenue recognised in the year.

	The risk	Our response
Impairment of goodwill and non current assets related to Sequential CGU (Carrying value of Sequential CGU assets £18.7 million; 2023: £20.7 million, Impairment of Sequential goodwill and non-current assets £5.4 million; 2023: £nil) <i>Refer to page 74 (Audit Committee Report), page 109 (accounting policy) and page 117 (financial disclosures).</i>	Forecast-based assessment: The recoverability of goodwill allocated to the Sequential cash generating unit (“CGU”) is assessed using value in use which is based on forecast future cash flows, within a discounted cashflow model. In the current year the Group has recognised an impairment against goodwill and non-current assets allocated to the Sequential CGU. The inputs to the impairment model rely on a number of assumptions, most notably the forecast future cash flows, including the timing of revenue recognition driven by the launch of new products, gross margin, the expected long term growth rate, and the discount rate, which all involve a high degree of estimation uncertainty. The estimation uncertainty is amplified as a result of the uncertainty around geopolitical and macroeconomic factors that affect the CGU. The effect of these matters is that, as part of our risk assessment, we determined that the value in use used to support the recoverable amount of the Sequential CGU has a high degree of estimation uncertainty, with a potential range of reasonable impairment outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 19) disclose the sensitivity estimated by the Group.	We performed the detailed tests below rather than seeking to rely on any of the Group’s controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: <ul style="list-style-type: none">– Tests of details: We independently recalculated the impairment outcomes, validated key inputs;– Benchmarking assumptions: Challenging the appropriateness of the Sequential CGU terminal growth rate by benchmarking against externally derived data and analyst reports;– Our sector experience: We assessed whether assumptions used, in particular those relating to forecast revenue, gross margin, long term growth rate and discount rate reflect our knowledge of the business and industry, including known or probable changes in the business environment;– Historical comparison: Assessing the historical accuracy of the forecasts used in the Sequential CGU’s impairment model by considering actual performance against prior year budgets and challenging whether the forecast cashflows were adjusted based on the risks and opportunities identified by the Group;– Sensitivity analysis: Considering the sensitivity of the recoverable amount to reasonably possible changes in the key inputs and assumptions used in determining the value in use of the Sequential CGU, including the impact of changes in revenue, gross margin, long term growth rate and discount rate in the forecast period; and– Assessing transparency: Assessing whether the Group’s disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the recoverable amount of goodwill.

Independent Auditor’s Report
to the members of Focusrite plc continued

2. Key Audit Matters: our assessment of risks of material misstatement continued

We have disaggregated the parent Company Key Audit Matter identified in the prior year into two separate Key Audit Matters in the current year in order to better reflect their specific risk profiles and the procedures we have performed to address those risks.

	The risk	Our response
Recoverability of the parent Company’s investment in subsidiaries (£70.2 million; 2023: £70.2 million)	Low risk, high value: The carrying amount of the parent Company’s investments in subsidiaries represents 64% (2023: 67%) of the parent Company’s total assets. Their recoverability is not at a high risk of material misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be an area that had one of the greatest effects on our overall parent Company audit.	We performed the tests below rather than seeking to rely on any of the parent Company’s controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: <ul style="list-style-type: none">– Tests of details: Comparing the carrying amount of 100% of investments with the relevant subsidiaries’ draft balance sheet in the consolidation to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making;– Assessing subsidiary audits: Assessing the work performed by us and component auditors on all of those subsidiaries, and considering the results of that work, on those subsidiaries’ profits, net assets and the likely risk of default on the intra-group balance; and– Comparing valuations: For investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the investment based on a suitable multiple of the subsidiaries’ profit.
Recoverability of the parent Company’s debtor due from Group entities (£38.7 million; 2023: £34.1 million)	Low risk, high value: The carrying amount of the intra-group debtor balance represents 35% (2023: 32%) of the parent Company’s total assets. Their recoverability is not at a high risk of material misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be an area that had one of the greatest effects on our overall parent Company audit.	We performed the tests below rather than seeking to rely on any of the parent Company’s controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: <ul style="list-style-type: none">– Assessment of risk of default: For each intra-group debtor counterparty, evaluating the likely risk of default with reference to the parent Company’s definition of default and those subsidiaries’ performance against budgets and forecasts of future profitability; and– Assessing subsidiary audits: Assessing the work performed by us and component auditors on all of those subsidiaries, and considering the results of that work, on those subsidiaries’ profits, net assets and the likely risk of default on the intra-group balance.

In the previous year we identified an event driven Key Audit Matter for the valuation of acquired identifiable intangible assets. We continue to perform procedures over the Group’s acquired identifiable intangible assets for the business combination in the current year. However, as there has not been a comparably sized acquisition in the current year, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £0.35m (2023: £1.1m), determined with reference to a benchmark of Group profit before tax, normalised to exclude the impairment of Sequential goodwill and intangible assets (2023: no adjustment) as disclosed in note 19. We adjusted for these items because they do not represent the normal, continuing operations of the Group.

Materiality for the parent Company financial statements as a whole was set at £0.3m (2023: £0.6m), determined with reference to a benchmark of parent Company total assets, of which it represents 0.3% (2023: 0.6%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for the Group was set at 65% (2023: 65%) of materiality for the financial statements as a whole, which equates to £0.23m (2023: £0.7m). We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior periods.

Performance materiality for the parent Company was set at 75% (2023: 75%) of materiality for the financial statements as a whole, which equates to £0.23m (2023: £0.4m). We applied this percentage in our determination of performance materiality for the parent Company because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.02m (2023: £0.06m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group’s sixteen (2023: fifteen) reporting components, we subjected five (2023: five) to full scope audits for Group purposes and one (2023: nil) for specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the percentages illustrated opposite.

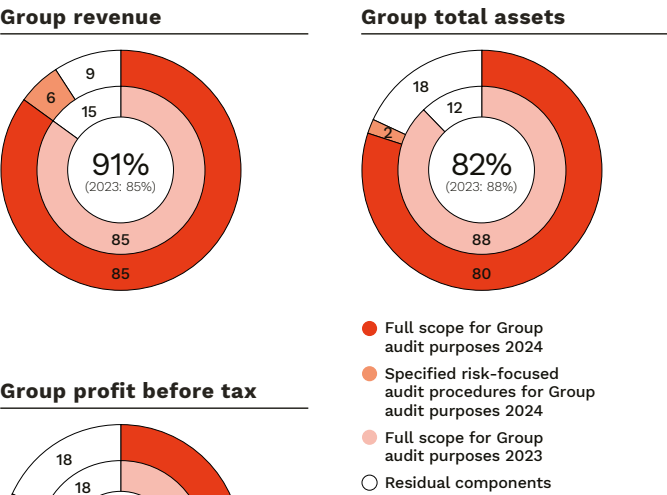
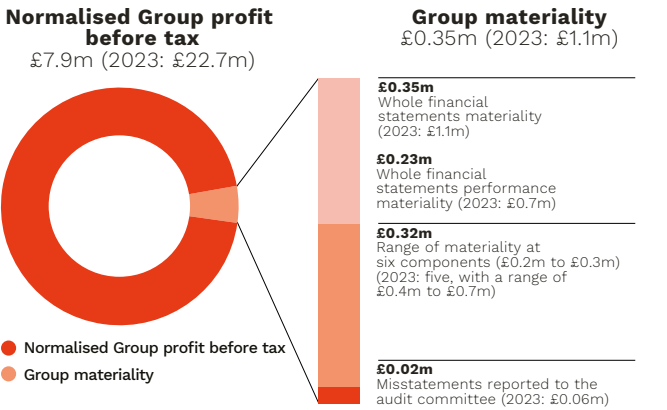
The remaining 9% (2023: 15%) of total Group revenue, 18% (2023: 18%) of Group profit before tax and 18% (2023: 12%) of total Group assets is represented by ten (2023: ten) reporting components, none of which individually represented more than 7% (2023: 9%) of any of total Group revenue, Group profit before tax or total Group assets. For these components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

The Group team approved the component materialities, which ranged from £0.2m to £0.3m (2023: £0.4m to £0.7m), having regard to the mix of size and risk profile of the Group across the components. The work on one of the six components (2023: one of the five components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group’s internal control over financial reporting.

The Group team visited one (2023: two) component location in Germany (2023: Germany and the US) to assess the audit risk and strategy. Video and telephone conference meetings were also held with these component auditors. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.



Independent Auditor’s Report to the members of Focusrite plc continued

4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group’s and Company’s financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group’s and Company’s available financial resources and metrics relevant to debt covenants over this period were:

- the ability to maintain and grow customer demand
- the ability to maintain profit margins
- the maintenance of relationships with key distributors

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the Directors’ sensitivities over the level of available financial resources and covenant thresholds indicated by the Group’s financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures also included:

Critically assessing assumptions in base case and downside scenarios, in particular in relation to revenue growth assumptions by comparing to historical trends in severe economic situations and overlaying knowledge of the entity’s plans based on approved budgets and our knowledge of the entity and the sector in which it operates.

We evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise, which included a reduction in overheads and capital expenditure, taking into account the extent to which the directors can control the timing and outcome of these.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors’ assessment of going concern, including the identified risks and dependencies.

Our conclusions based on this work:

- we consider that the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors’ assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group’s or Company’s ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of Directors, the Audit Committee, and inspection of policy documentation as to the Group’s high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- reading Board and Audit Committee minutes.
- considering remuneration incentive schemes and performance targets for management including the EBITDA target for management remuneration.
- using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets due to market expectations or personal incentives, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group and component management may be in a position to make inappropriate accounting entries;
- the risk of bias in accounting estimates; and
- the risk that revenue from sales of products is inappropriately deferred into the next financial period.

We did not identify any additional fraud risks.

Further detail in respect of the revenue recognition risk is set out in the Key Audit Matter disclosures in section 2 of this report.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to full scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, intellectual property law, and certain aspects of company legislation recognising the nature of the Group’s activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors’ Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors’ Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors’ responsibilities

As explained more fully in their statement set out on page 88, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor’s report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC’s website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members, as a body, for our audit work, for this report, or for the opinions we have formed.

James Tracey (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill, Snow Hill Queensway
Birmingham B4 6GH
27 November 2024

Consolidated Income Statement

For the year ended 31 August 2024

	Note	2024 £'000	2023 £'000
Revenue	7	158,524	178,465
Cost of sales		(88,031)	(93,616)
Gross profit		70,493	84,849
Administrative expenses		(64,797)	(60,506)
Adjusted EBITDA ¹ (non-GAAP measure)		25,219	38,568
Depreciation and amortisation		(8,574)	(8,087)
Administrative Adjusting items:			
Amortisation of acquired intangible assets	15	(5,510)	(4,451)
Impairment of intangible assets	19	(5,355)	–
Other adjusting items – included in administrative expenses	15	(84)	(1,687)
Operating profit		5,696	24,343
Finance income	11	100	770
Finance costs	12	(3,292)	(2,365)
Profit before tax		2,504	22,748
Income tax expense	16	104	(4,951)
Profit for the period from continuing operations		2,608	17,797
Earnings per share			
Basic (pence per share)	18	4.5	30.4
Diluted (pence per share)	18	4.4	30.2

1 Comprising earnings adjusted for interest, taxation, depreciation and amortisation. See notes 5 and 15 to the financial Statements for further detail.

The accompanying notes on pages 101 to 132 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 August 2024

	Note	2024 £'000	2023 £'000
Profit for the period (attributable to equity shareholders)		2,608	17,797
Items that may be subsequently reclassified to the income statement			
Exchange losses on translation of foreign operations		(923)	(1,742)
(Loss)/gain on forward exchange contracts		(491)	784
Exchange gain/(loss) on acquired amortisation		67	(18)
Tax on hedging instrument		123	(186)
Total comprehensive income for the period		1,384	16,635

The accompanying notes on pages 101 to 132 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 August 2024

	Note	2024 £'000	2023 £'000
Assets			
Non-current assets			
Goodwill	19	14,194	16,138
Other intangible assets	20	66,065	66,709
Property, plant and equipment	21	11,096	12,495
Deferred tax assets	25	2,666	533
Total non-current assets		94,021	95,875
Current assets			
Inventories	23	49,267	55,256
Trade and other receivables	24	37,391	32,384
Cash and cash equivalents	31	22,040	26,787
Current tax asset		226	–
Derivative financial instruments	34	–	491
Total current assets		108,924	114,918
Current liabilities			
Trade and other payables	27	(30,745)	(39,703)
Other liabilities	26	(1,527)	(1,761)
Current tax liabilities		(2,022)	(2,619)
Provisions	28	(522)	(1,270)
Bank loan	34	(34,565)	(28,093)
Total current liabilities		(69,381)	(73,446)
Net current assets		39,543	41,472
Total assets less current liabilities		133,564	137,347
Non-current liabilities			
Deferred tax liabilities	25	(10,815)	(10,824)
Other liabilities	26	(6,793)	(8,071)
Total non-current liabilities		(17,608)	(18,895)
Total liabilities		(86,989)	(92,341)
Net assets		115,956	118,452
Capital and reserves			
Share capital	29	59	59
Share premium	30	115	115
Merger reserve	30	14,595	14,595
Merger difference reserve	30	(13,147)	(13,147)
Translation reserve	30	(3,680)	(2,757)
Hedging reserve	30	–	491
Employee Benefit Trust (‘EBT’) reserve	30	(1)	(1)
Retained earnings		118,015	119,097
Equity attributable to the owners of the Company		115,956	118,452
Total equity		115,956	118,452

The financial statements were approved by the Board of Directors and authorised for issue on 27 November 2024. They were signed on its behalf by:

Sally McKone
Chief Financial Officer

The company number of Focusrite plc is 09312676.

The accompanying notes on pages 101 to 132 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 August 2024

	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 2022	59	115	14,595	(13,147)	(1,015)	(293)	(1)	105,003	105,316
Profit for the period								17,797	17,797
Other comprehensive income	–	–	–	–	(1,742)	784	–	(204)	(1,162)
Total comprehensive income	–	–	–	–	(1,742)	784	–	17,593	16,635
Share-based payments deferred tax	–	–	–	–	–	–	–	5	5
Share-based payments current tax	–	–	–	–	–	–	–	(123)	(123)
EBT shares issued	–	–	–	–	–	–	1	584	585
Share-based payments	–	–	–	–	–	–	(1)	(246)	(247)
Shares withheld to settle tax obligations	–	–	–	–	–	–	–	(216)	(216)
Premium on shares in lieu of bonuses	–	–	–	–	–	–	–	106	106
Dividends paid	–	–	–	–	–	–	–	(3,609)	(3,609)
Balance at 31 August 2023	59	115	14,595	(13,147)	(2,757)	491	(1)	119,097	118,452
Profit for the period	–	–	–	–	–	–	–	2,608	2,608
Other comprehensive income	–	–	–	–	(923)	(491)	–	190	(1,224)
Total comprehensive income	–	–	–	–	(923)	(491)	–	2,798	1,384
Share-based payments deferred tax	–	–	–	–	–	–	–	(84)	(84)
Share-based payments current tax	–	–	–	–	–	–	–	–	–
EBT shares issued	–	–	–	–	–	–	–	22	22
Share-based payments	–	–	–	–	–	–	–	158	158
Shares withheld to settle tax obligations	–	–	–	–	–	–	–	(106)	(106)
Share-based payments in lieu of bonuses	–	–	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	–	(3,870)	(3,870)
Balance at 31 August 2024	59	115	14,595	(13,147)	(3,680)	–	(1)	118,015	115,956

The accompanying notes on pages 101 to 132 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 August 2024

	Note	2024 £'000	2023 £'000
Operating activities			
Profit for the financial year		2,608	17,797
Income tax (credit) expense	16	(104)	4,951
Net interest expense	11, 12	3,192	1,595
Loss on disposal of property, plant and equipment		13	187
Loss on disposal of intangible assets		75	27
Amortisation of intangibles	20	11,198	9,861
Impairment of goodwill and acquired intangibles	15	5,355	–
Depreciation of property, plant and equipment	21	2,887	2,677
Other non-cash items		(625)	(229)
Share-based payments charge/(credit)	32	158	(246)
Operating cash flow before movements in working capital		24,757	36,620
Increase in trade and other receivables		(4,909)	(3,599)
Decrease/(increase) in inventories		6,362	(6,916)
(Decrease)/increase in trade and other payables		(10,367)	2,922
Operating cash flows before interest and tax		15,843	29,027
Net interest paid		(2,403)	(1,699)
Income tax paid		(1,781)	(1,856)
Cash generated by operations		11,659	25,472
Net foreign exchange movements		(563)	860
Net cash from operating activities		11,096	26,332
Investing activities			
Purchase of property, plant and equipment	21	(1,540)	(3,204)
Purchase of intangible assets	20	(3,040)	(2,024)
Capitalised R&D costs		(9,660)	(9,163)
Proceeds from disposal of intangible assets		–	5
Acquisition of business, net of cash acquired	6	(2,494)	(7,153)
Net cash used in investing activities		(16,734)	(21,539)
Financing activities			
Proceeds from loans and borrowings	34	9,355	15,226
Repayments of loans and borrowings	34	(2,750)	–
Payment of lease liabilities	34	(1,423)	(1,427)
Equity dividends paid		(3,870)	(3,609)
Net cash from financing activities		1,312	10,190
Net (decrease)/increase in cash and cash equivalents		(4,326)	14,983
Cash and cash equivalents at the beginning of the year		26,787	12,758
Foreign exchange movements		(421)	(954)
Cash and cash equivalents at the end of the year	31	22,040	26,787

The accompanying notes on pages 101 to 132 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 August 2024

1 General information

Focusrite plc (the ‘Company’), is a company incorporated in the UK. The consolidated financial statements (‘financial statements’) as at and for the year ended 31 August 2024 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.

Basis of preparation

Statement of compliance

The financial statements of the Group and the Company for the year ended 31 August 2024 are presented in pounds (‘GBP’ thousands; £’000). The Group financial statements have been prepared in accordance with UK-adopted International Accounting Standards (‘IAS’) and the Company has elected to prepare its Parent Company accounts in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standards (‘FRS’) 101 Reduced Disclosure Framework. These financial statements were authorised for issue by the Company’s Board of Directors on 27 November 2024.

Going concern

The Board of Directors has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence and meet their liabilities as they fall due for a period of at least 12 months from the approval of these financial statements (‘the going concern period’). Accordingly, the financial statements have been prepared on a going concern basis. The Group meets its day-to-day working capital requirements from cash balances and a revolving credit facility of £50 million, of which £35 million was drawn at the Balance Sheet date, which was extended in September 2024 for a further year to a maturity date of September 2028. The availability of the revolving credit facility is subject to continued compliance with certain covenants. The Directors have prepared projected cash flow forecasts for the going concern period. These forecasts include the base case, along with three discrete severe but plausible downside scenarios, which include potential impacts from risks identified from the business including

- Loss of our largest customer, our distributor for Focusrite, Novation and ADAM Audio in the US
- Loss of a key contract manufacturer, potentially due to increased storm intensity, as flagged in our climate risk analysis
- Reduction in gross margin due to ongoing pricing pressures and the potential impact of import tariffs for goods imported into the US

Whilst climate change is considered to bring both risks and opportunities to the Group, as outlined in our Environmental, Social, Governance (‘ESG’) section on pages 40 to 61, we consider the quantifiable risk in the short term to relate to increased storm intensity, resulting in the potential loss of a distributor or contract manufacturer and this is included within our scenarios. The increased geopolitical risk which could impact our manufacturing partners in China has also been considered, but has not been modelled, given the considered likelihood and scale of global sanctions would not deem this a plausible scenario. The base case covers a period of at least 12 months from the date of signing and includes demanding but achievable forecast growth. The forecast has been extracted from the Group’s FY25 budget and three-year plan for the remainder of the going concern period.

Key assumptions include:

- Future growth assumptions consistent with those assumed in the Group’s internal plans for market growth and new product introductions and adjusted for the annualisation of recent acquisitions.
- Working capital requirements in line with historic trends
- Continued investment in research and development in all areas of the Group.
- Dividends consistent with the Group’s dividend policy
- No additional investment in acquisitions in the forecast period
- Foreign exchange rates in line with those prevailing as at 31 August 2024

Throughout the period, the forecast cash flow information indicates that the Group will have sufficient cash reserves and headroom on the revolving credit facility to continue to meet its liabilities throughout the forecast period as well as continuing to maintain covenant compliance.

The Directors have modelled three severe but plausible downside scenarios to take account of the risks identified above. These models assume that purchases of stock will, in time, reduce to reflect reduced sales, if they occurred. The Group would respond to a revenue or gross margin shortfall by taking reasonable steps to reduce dividends, overheads and capital expenditure within its control. These mitigants have been included in each of the downside scenarios. Across these scenarios, the most significant impact expected would be a draw down from the revolving credit facility of an average of around £40 million for a period of 7 months, however the Group would be expected to remain well within the terms of its loan facility with the leverage covenant (net debt to adjusted EBITDA) in the period not exceeding the maximum of 2.5x.

Separately, as a reverse stress test, the Directors estimate that if the Group were to experience a reduction in revenue expectations of greater than 30% compared to the base case, permanently from the start of the forecast period, leverage could rise to the upper limits allowed by the banking covenants by October 2025. This scenario includes consequential reductions in the purchases of stock and dividends as well as other mitigating cost reductions. However, the Directors’ view is that any scenario of a revenue shortfall of greater than the severe yet plausible scenario above is not realistic.

In practice, the Group is still currently experiencing stable levels of consumer registrations and underlying customer demand, and therefore the revenue levels have been maintained at expected levels since year end. The Group is increasing working capital, as is usual in the period prior to the Thanksgiving and Christmas holiday season, with the Group’s net debt balance reducing from a net position of £12.5 million reported at year end to approximately net debt of £17.8 million at 25 November 2024, which is expected to improve by the end of the next reporting period. As a result, the Directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes to the Financial Statements continued

For the year ended 31 August 2024

2 Adoption of new and revised standards

New and amended standards and interpretations adopted by the Group and Company for the first time in the year ended 31 August 2024

- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The adoption of these amendments and interpretations has not had a significant impact on the consolidated financial statements.

Standards, revisions and amendments to standards and interpretations not yet effective and not yet adopted by the Group

The following pronouncements, issued by the IASB, have not yet been endorsed by the UK, are not yet effective and have not yet been adopted by the Group:

- Amendments to IAS 1 Presentation of Financial Statements – Classification of liabilities as current or non-current;
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements;
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- UK legislation on international tax system reform (BEPS);
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates relating to lack of changeability;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of accounting estimates;
- IFRS 17 Insurance Contracts; and
- Amendments to IFRS 17 and IFRS 19 Initial Application of IFRS 17 and IFRS 9 – Comparative Information relating to the Classification and Measurement of Financial Instrument. The standards have been reviewed to assess the impact they will have on future financial statements. No material impact is expected to the accounts and any changes are expected to be limited to changes to disclosures notes only.

3 Material accounting policies

The accounting policies set out below have been applied consistently for all periods presented in the financial statements.

Any standards and interpretations that have been issued but are not yet effective, and that are available for early application, have not been applied by the Group in these financial statements.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and all entities controlled by the Group from the date control commences until the date that control ceases. Control is achieved where the Company:

- has the power over the investee;
- is exposed or has rights to a variable return from the involvement with the investee; and
- has the ability to use its power to affect its returns.

As such, the results of subsidiaries acquired during the year are included in the Consolidated Income Statement from the effective date of acquisition.

The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the ‘acquisition date’). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer’s previously held equity interest (if any) in the entity over the net of the amounts of the identifiable assets acquired and the liabilities assumed. Further information about the assumptions made in measuring fair values of the acquisition of a subsidiary is included in note 6.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to the Group’s cash-generating units (‘CGUs’) expected to benefit from synergies arising from the combination. CGUs to which goodwill has been attributed under IFRS 3 Business Combinations are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Revenue recognition

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Having identified the customer, the performance obligations and the transaction price, the revenue is recognised when the Group satisfies the performance obligations.

The value of revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group’s activities. Revenue is shown net of sales taxes and discounts.

If a contract includes variable consideration, Focusrite will estimate the amount of consideration to which it will be entitled and present this as a contract liability within Trade and other payables. Variable consideration will take into account discounts, incentives and penalties expected due based on expected value calculated from historic experience and planned future marketing campaigns. We have constrained the revenue recognised to an amount that it is highly probable that a significant reversal will not occur. Due to the fact that the vast majority of sales by Focusrite involve sale of goods, the timing of the revenue recognition is considered in relation to ‘Performance obligations satisfied at a point in time’ (IFRS 15; 38) considering the following factors:

- a) The entity has a present right to payment for the asset.
- b) The customer has legal title to the asset.
- c) The entity has transferred physical possession of the asset.
- d) The customer has the significant risks and rewards of ownership of the asset.
- e) The customer has accepted the asset.

Sale of goods

The Group has three routes to market for the sale of goods: distributors, resellers and direct to end users. These cover all segments and geographical markets. Revenue from sales to distributors, resellers and direct to end users are recognised in line with the terms defined within the contract of sales, as this will define when control is passed to the customer. This is deemed to be in line with the Incoterms of the shipment, which clarify when the customer has accepted the asset and legal title and therefore risk of ownership has passed. For the majority of shipments this occurs on despatch of goods, but may differ depending on the specific shipment terms agreed with the customer. Payment is also due to the Group in line with agreed credit terms at this point.

Sale of software

Revenue from the download of apps and paid feature upgrades is recognised upon confirmation of the sale from the app store provider. Perpetual licences are recognised in entirety at the point of sale, monthly subscriptions on a recurring basis when the subscription is due.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of other income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Adjusting items

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 a full understanding of the Group’s result. Items included are acquisition and restructuring costs, earnout accrual in relation to acquisitions and impairments of goodwill and acquired intangibles. See note 15 for more information on adjusting items.

Leases

The Group recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the basis as those of property and equipment. In addition, the right-of-use asset is periodically assessed for impairment triggers and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, if available, otherwise the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise fixed payments and variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in index or rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in ‘Property, plant and equipment’ and lease liabilities as ‘Other liabilities’ in the Statement of Financial Position.

Notes to the Financial Statements continued

For the year ended 31 August 2024

3 Material accounting policies continued

Foreign currencies

Sterling is the predominant functional currency of the Company 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 within the Income Statement 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 financial instruments/ cash flow hedges).
- 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 other comprehensive income.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Equity-settled share-based payments

The Group issues equity-settled payments to certain employees (including Directors). Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

Share options are valued at the date of grant using the Black-Scholes option pricing model for options with non-market vesting conditions attached and a simulation model for options with market vesting conditions attached, and are charged to operating profit over the vesting period of the award with a corresponding credit to retained earnings.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium account.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. It is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income ('OCI').

Current tax

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are only recognised for taxable temporary differences arising on investments in subsidiaries, where the Group can foresee the reversal of the temporary difference and it is probable that the temporary difference will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Tangible and intangible assets

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is recognised so as to write off the cost or valuation of assets less residual value over their useful lives, using the straight-line method, on the following bases:

Plant, equipment and tooling	3 to 5 years
Computer equipment	2 to 3 years
Fixtures and fittings	3 to 5 years
Leasehold improvements	5 to 8 years
Land and buildings	25 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in the income statement on the transfer of the risks and rewards of ownership.

Intangible assets

Intangible assets are amortised over the following periods on a straight-line basis:

Internally generated development costs	2 to 10 years
Purchased intellectual property	2 years
Licences	2 to 5 years
Software	2 years
Trademarks	10 years

Acquired intangible assets

Intangible assets acquired through a business combination are amortised over the following periods on a straight-line basis:

Subsidiary	Brand	Developed technology, products and patents
ADAM Audio	10 years	3 years
Martin Audio	20 years	8 to 15 years
Sequential	10 to 15 years	15 years
Linea Research, Sheriff Technology and Innovate Audio	15 years	9 years
Sonnox	10 years	10 years

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's development of new and enhanced products is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as a product design);
- the asset is technologically feasible;
- the Group intends to complete the asset and use or sell it;
- adequate technical, financial and other resources are available to complete the asset and use or sell it;
- it is probable and demonstrable that the asset created will generate future economic benefits; and
- the costs of developing this asset can be measured reliably. Costs include payroll costs plus project-specific sub-contractor and materials costs.

Where no internally generated intangible asset can be recognised, the expenditure is recognised as an expense in the period in which it is incurred.

Assets begin to be amortised once it is determined they are available to generate economic benefit, this is determined from the ability to sell the completed product, on a phased basis from engineering sample to mass production completion.

Notes to the Financial Statements continued

For the year ended 31 August 2024

3 Material accounting policies continued

Valuation of investment in subsidiaries for business combination purposes

For the purposes of valuation of the Group’s subsidiaries for the purposes of business combinations and reorganisations, the Group applies the acquisition method rather than the book value.

Impairment of goodwill and intangible assets with an indefinite useful life

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of: (i) fair value less costs to sell; and (ii) value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses (excluding goodwill), the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years for the asset (or CGU). A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Inventory provisions are made where relevant to provide for the costs of inventory held for demonstration or service requirements which may result in their sale at a lower value, or for products with relatively high levels of inventory compared to recent demand assessed on a rolling 12 month basis.

Trade and other receivables

Trade debtors, which generally have 30- to 60-day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. The Company measures loss allowances at an amount equal to lifetime expected credit loss (‘ECL’), except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL (see the accounting policy on impairment in section (iv) below). Balances are written off when the probability of recovery is assessed as being remote.

Payment terms are standard with most customers at 30 days following month of invoice, but there are also other payment terms which are linked to inventory level for a key distributor, which allows hold back of payment if inventory levels are over a certain level of calculated demand.

Financial instruments

(i) Recognition and initial measurement

Financial instruments included in the financial statements are measured at either fair value or amortised cost. The measurement of this fair value can in some cases be subjective, the Group uses observed market prices and relevant market data where appropriate for the instrument being valued.

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at amortised cost or at fair value through profit and loss (‘FVTPL’).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Company’s cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL – these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost – these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company’s own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company’s own equity instruments or is a derivative that will be settled by the Company’s exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company’s own shares, the amounts presented in these financial statements for called-up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Notes to the Financial Statements continued

For the year ended 31 August 2024

3 Material accounting policies continued

(iii) Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

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 or periods 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.

(iv) Impairment of financial assets

The Group recognises loss allowances for ECLs’ on financial assets measured at amortised cost and contract assets (as defined in IFRS 15).

The Group measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. Trade receivables and contract assets with a significant financing component are measured using the general model described above.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. The ECL is not material to the Group’s financial results.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

4 Judgements and estimations in applying the Group’s accounting policies

Judgements

The following is a critical judgement that the Directors have made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial information.

Revenue recognition

Stock is sold and revenue recognised when we have satisfied our performance obligations to distributors and dealers. The key judgement required is in the US where the Group has a single distributor: American Music & Sound (‘AM&S’). The Group’s subsidiary, Focusrite Group US (‘FGUS’), works closely with AM&S to market the Group’s products and maintain relationships with AM&S’ customers.

In the judgement of the Directors, revenue is recognised when control and legal title of goods is passed to AM&S, which is before it is passed to the final customer and is consistent with the terms of sale. At this point, an estimation is made of the ultimate selling price to be recognised, taking into account the impact of potential future activity which may impact the consideration, such as rebates, promotions and credits.

The reasons for this view include the fact that AM&S has the responsibility for providing goods to the customer, responsibility for the collection of payments from its customers and no right of return to the Group. AM&S can also set its prices to customers (subject to an minimum agreed price). Additionally, under the terms of sale, control and legal title of goods is passed to AM&S before it is passed to the final customer. At the point at which control passes an estimation is made of the ultimate selling price to be recognised, taking into account the impact of potential future activity which may impact the consideration, such as rebates, promotions and credits.

These judgements are consistent with prior periods.

Valuation of acquired intangible assets

Since most intangibles acquired through business combinations are not traded on an open market, the absence of a market price means that the valuations are normally based on a discounted cash flow approach. This relies on setting revenue forecasts, growth rates, asset-specific discount rates, useful economic life assumptions and an estimate of tax amortisation benefits arising from the recognition of these intangibles. In most circumstances, the valuations are prepared by independent valuation firms with knowledge of the market in which the Group operates. Amounts recognised on acquisitions through business combinations totalled £2,225,000 (FY23: £5,553,000). See note 6 to the Group financial statements.

As outlined in note 19 key estimates have been made in assessing the level of impairment to be attributed to the Sequential cash generating unit (CGU). These include the timing of the launch of new products in the range, the incremental growth of the gross margin and the long term growth rate.

Other judgements and estimates

The Directors’ have also applied the following judgements and estimates to these financial statements, but consider them to not be significant in this financial year.

Stock manufactured and distributed by a third party

Sequential has a relationship with its key manufacturer to purchase raw material, to build product and distribute its stock to customers. Sequential is not the contract manufacturer’s sole customer. It has been determined for the purposes of the financial statements that the risks and rewards in relation to products that are both work in progress and finished goods not yet shipped to customers are Sequential’s, and therefore should be recognised as inventory, with a corresponding entry to liabilities for the payment due to the manufacturer. As raw materials have alternative use to the manufacturer, and there is no requirement for Sequential to compensate the manufacturer for unused or unusable raw materials, it has been determined that they are not in substance under Sequential’s control. Therefore no accrual is made for raw materials.

The amount accrued at year end for work in progress and finished goods held by the contract manufacturer was £1,659,000 (FY23: £1,802,000).

Impairment of intangible assets with indefinite lives

The Group has intangible assets with indefinite lives and therefore tests annually whether intangible and tangible fixed assets have suffered any impairment. The recoverable amount of the CGU is based on the higher of value in use and the fair value less cost of disposal. Value in use is calculated from cash flow projections over three years using data from the Group’s latest internal forecasts and extrapolated further using estimated long-term growth rates. Key assumptions are disclosed in note 19.

Capitalisation and recoverability of internally generated intangible assets

Management considers both the capitalisation and the recoverability of its internally generated intangible asset for development costs are sources of estimation uncertainty; balances are included in the balance sheet at 31 August 2024 of £22,128,000 (FY23: £18,538,000). The net amount capitalised in the year was £8,793,000 (FY23: £8,599,000). For the majority of these costs, amounts are based on timesheets and tracked costs, for the remainder management applied estimates of amounts capitalised to certain projects in accordance with IAS 38 Intangible Assets. Any sensitivity on the remaining amounts would not be materially different from the actuals. These projects continue to progress in a satisfactory manner, and customer reaction has reconfirmed management’s previous estimates of anticipated revenues from the projects.

Management is confident that the carrying amount of the asset will be recovered in full. This situation will be closely monitored, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

Notes to the Financial Statements continued

For the year ended 31 August 2024

5 Alternative performance measures

The Group has applied certain alternative performance measures ('APMs') within these financial results. A reconciliation to GAAP measures is provided in the table below, or is cross-referenced to tables within the Financial Review section. 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, best reflects the trading performance of the Group.

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

The following APMs have been used in these financial results:

- Organic constant currency growth – this is calculated by comparing current period revenue with prior period revenue adjusted for current period exchange rates and the impact of acquisitions, shown within the Financial Review.
- Adjusted EBITDA – comprising earnings (operating profit) 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. See reconciliation below.
- Adjusted earnings per share ('EPS') – earnings per share excluding adjusting items. See reconciliation below.
- Free cash flow – net increase/(decrease) in cash and cash equivalents excluding net cash used acquisitions, movements on the bank loan and dividends paid. See reconciliation below.
- Underlying free cash flow – as free cash flow but adding back adjusting items. See reconciliation below.
- Net debt – comprising cash and cash equivalents, overdrafts and amounts drawn against the RCF including the costs of arranging the RCF. See reconciliation below.

	2024			2023		
	Adjusted EBITDA £'000	Adjusted Operating Profit £'000	Adjusted Diluted EPS £'000	Adjusted EBITDA £'000	Adjusted Operating Profit £'000	Adjusted Diluted EPS £'000
Reported operating profit	5,696	5,696		24,343	24,343	
Reported profit after tax			2,608			17,797
Add back (deduct):						
Underlying depreciation and amortisation	8,574	–	–	8,087	–	–
Amortisation on acquired intangibles	5,510	5,510	5,510	4,451	4,451	4,451
Acquisition costs	98	98	98	367	367	367
Impairment of goodwill and acquired intangibles	5,355	5,355	5,355	–	–	–
Earnout in relation to acquisition	–	–	–	786	786	786
Restructuring	(14)	(14)	(14)	534	534	534
Tax on adjusting items	–	–	(2,842)	–	–	(1,319)
Adjusted	25,219	16,645	10,715	38,568	30,481	22,616
Weighted average number of total ordinary shares including dilutive impact (000's)			59,400			58,953
Adjusted diluted EPS (p)			18.0			38.4

	2024		2023	
	Free cash flow £'000	Adjusted free cash flow £'000	Free cash flow £'000	Adjusted free cash flow £'000
Net (decrease)/increase in cash and cash equivalents during the year	(4,326)	(4,326)	14,983	14,983
Add back: dividends paid	3,870	3,870	3,609	3,609
Add back: cash outflow in relation to acquisition of business	2,494	2,494	7,153	7,153
Change in bank loan	(6,605)	(6,605)	(15,226)	(15,226)
Add back: adjusting items	–	84	–	1,687
Free cash flow/Adjusted free cash flow	(4,567)	(4,483)	10,519	12,206

Definition of Net debt	2024 Net debt	2023 Net debt
Cash and cash equivalents	22,040	26,787
Bank loan	(35,101)	(28,192)
RCF arrangement fee	536	99
Net debt	(12,525)	(1,306)

6 Acquisition of a subsidiary

On 19 December 2023, the Group completed the acquisition of 100% of the share capital of Sheriff Technology Limited ('Sheriff'), which trades principally under the OutBoard and TiMax brands. The total consideration has been calculated as £2.8 million, with £2.4 million paid on completion. An additional amount of up to £1.2 million is due in January 2025 upon the achievement of agreed gross profit targets, with a forecast discounted amount of £0.4 million being included as the fair value of additional consideration, which is not contingent on the continued employment of the previous owners. The acquisition was funded by a drawdown of £2.3 million on the existing revolving credit facility of £50 million with HSBC and NatWest. Sheriff had £0.1 million of cash at the acquisition date such that the net cash consideration was £2.3 million.

Sheriff is a UK-based company specialising in innovative entertainment technologies, which it sells globally. Operating under two sub-brands, TiMax and OutBoard, their products are vital for professionals in the audiovisual industry, particularly in live performances, event management, and the rapidly expanding sector of immersive sound experiences.

For the period between the acquisition date and 31 August 2024, Sheriff contributed revenue of £0.9 million and a profit before tax of £0.2 million to the Group. If the acquisition had occurred on 1 September 2023, management estimates that Sheriff's revenue would have been £1.4 million and profit before tax for the period would have been £0.3 million.

Acquisition-related costs

The Group incurred acquisition-related costs of £0.1 million on legal fees and due diligence costs relating to the acquisition of Sheriff. These have been included in adjusting item costs to give investors a better understanding of the costs related to the acquisition of Sheriff. Additionally, because of Sheriff size, nature and the fact that they vary from acquisition to acquisition, the Group considers it a better reflection of the trading performance to show these separately.

Identifiable assets acquired and liabilities assumed

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

Recognised values on acquisition	£'000
SoundHub technology	1,600
Motor control technology	425
Intangible assets	2,025
Property, plant and equipment	2
Working capital (including cash)	584
Deferred tax liability	(506)
Net identifiable assets and liabilities at fair value	2,105
Goodwill recognised on acquisition	750
Consideration identified	2,855

The acquired deferred tax liability has been estimated by applying the uplift in asset fair value to the corporate tax rates enacted at the time of acquisition.

Measurement of fair values

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

Assets acquired	Valuation technique
Property, plant and equipment	Cost approach.
Developed technology	Income approach (multi-period excess earnings method or 'MEEM'). The key assumption used is the forecast revenues attributable to the existing asset.

Goodwill

The goodwill recognised is attributable to:

- the skills and technical talent of the Sheriff workforce;
- income growth potential from new products, future relationships and a proportion of synergies;
- alignment to the Group's existing customer base; and
- strong strategic fit.

Notes to the Financial Statements continued

For the year ended 31 August 2024

6 Acquisition of a subsidiary continued

Intangible assets sensitivity analysis

In assessing the estimated useful life of the intangible assets, management considered the sensitivity in the forecast sales on the valuation of the developed technology. The following table details the sensitivity to a 10% increase and decrease in the sales forecast and related cost of sales impact this would have on the valuation of the assets.

Asset	Valuation impact		
	Cost	10% sales increase	10% sales decrease
Developed technology	2,025	292	(262)
Total	2,025	292	(262)

In June 2024 the Group purchased 100% of the share capital of Innovate Audio Ltd for £217,000, net of cash of £17,000. This resulted in acquired intangible asset additions of developed technology of £200,000.

In December 2022 the Group purchased Sonnox Ltd for £9,095,000, resulting in acquired intangible assets additions of £5,553,000 and goodwill of £2,683,000 arising due to this business combination.

7 Revenue

An analysis of the Group's revenue by reportable segment and by location of customer is as follows:

	Year ended 31 August 2024				Year ended 31 August 2023			
	North America £'000	EMEA £'000	Rest of World £'000	Total £'000	North America £'000	EMEA £'000	Rest of World £'000	Total £'000
Focusrite	28,672	24,492	7,114	60,278	45,724	29,334	11,259	86,317
Novation	6,649	6,544	3,064	16,257	6,078	6,711	3,776	16,565
ADAM Audio	8,565	11,646	2,399	22,610	5,657	10,072	2,720	18,449
Sequential	4,737	4,172	796	9,705	7,115	6,309	1,056	14,480
Sonnox	722	829	417	1,968	405	492	242	1,139
Content Creation	49,345	47,683	13,790	110,818	64,979	52,918	19,053	136,950
Audio Reproduction – Martin Audio	11,397	19,236	17,073	47,706	12,684	16,601	12,230	41,515
Total	60,742	66,919	30,863	158,524	77,663	69,519	31,283	178,465

The amount of revenue sold to external customers in the UK was £11,759,000 (FY23: £20,782,000).

8 Business segments

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

- Focusrite
- Sales of Focusrite and Focusrite Pro branded products
- Novation
- Sales of Novation and Ampify branded products
- ADAM Audio
- Sales of ADAM Audio branded products
- Martin Audio
- Sales of Martin Audio, Optimal Audio, Linea Research, panLab, TiMax & OutBoard branded products
- Sequential
- Sales of Sequential branded products
- Sonnox
- Sales of Sonnox branded products

Segment revenues and results

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

Central administration costs comprise principally the employment-related costs and other overheads incurred by the Group. Also included within central administration costs is the expense relating to the share option scheme (note 32) of £158,000 for the year ended 31 August 2024 (FY23: credit of £282,000).

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

	2024 £'000	2023 £'000
Revenue from external customers		
Focusrite	60,278	86,317
Novation	16,257	16,565
ADAM Audio	22,610	18,449
Sequential	9,705	14,480
Sonnox	1,968	1,139
Martin Audio	47,706	41,515
Total revenue from external customers	158,524	178,465
Segment profit		
Focusrite	22,481	40,130
Novation	7,654	9,133
ADAM Audio	11,217	9,570
Sequential	4,044	6,705
Sonnox	1,899	1,125
Martin Audio	23,198	18,186
Total segment profit	70,493	84,849
Central sales and administrative expenses	(59,358)	(58,819)
Adjusting items	(5,439)	(1,687)
Operating profit	5,696	24,343
Finance income	100	770
Finance costs	(3,292)	(2,365)
Profit before tax	2,504	22,748
Tax	104	(4,951)
Profit after tax	2,608	17,797

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

	2024 £'000	2023 £'000
Non-current assets		
North America	8,014	8,937
Europe, Middle East and Africa	85,981	86,725
Rest of the World	26	213
Total non-current assets	94,021	95,875
UK	67,400	68,867

Information about major customers

Included in the revenues shown for FY24 is £29.8 million (FY23: £48.1 million) attributed to the Group's largest customer, which is located in North America.

9 Profit for the year

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

	Note	Year ended 31 August	
		2024 £'000	2023 £'000
Net foreign exchange losses/(gains)	11, 12	241	(331)
Loss on disposal of property, plant and equipment		13	187
Research and development costs		2,241	4,873
Depreciation and impairment of property, plant and equipment	21	2,887	2,677
Amortisation and impairment of intangibles	20	14,030	9,861
Impairment of goodwill	19	2,523	–
Cost of inventories within cost of sales		74,147	75,548
Staff costs	13	27,341	28,235
Movement in expected credit loss	24	88	(292)
Share-based payments	32	158	(282)

Notes to the Financial Statements continued

For the year ended 31 August 2024

10 Auditor’s remuneration

	Year ended 31 August	
	2024 £'000	2023 £'000
Fees payable to the Group’s auditor for the audit of the Group’s Annual Report and Accounts	695	595
Additional fee in respect of prior year audit	69	248
Audit of the accounts of subsidiaries pursuant to legislation	125	134
Total audit fees	889	977
Audit-related assurance services (half-year review)	55	55
Total	944	1,032

11 Finance income

	Year ended 31 August	
	2024 £'000	2023 £'000
Bank deposit interest	100	132
Exchange gain	–	638
	100	770

12 Finance costs

	Year ended 31 August	
	2024 £'000	2023 £'000
Bank charges	2,612	1,831
Unwinding of RCF arrangement fee	259	74
Interest on lease liabilities	180	153
Exchange losses	241	307
	3,292	2,365

13 Staff costs

	Year ended 31 August	
	2024 £'000	2023 £'000
Wages and salaries	29,791	31,763
Social security costs	3,960	4,162
Other pension costs	805	752
Share-based payments	158	(282)
	34,714	36,395
Less: amounts capitalised within development costs	(7,373)	(8,160)
	27,341	28,235

The average number of full-time equivalent staff, including Executive Directors, employed by the Group during the year was as follows:

	2024 Number	2023 Number
Research and Development	157	164
Sales and Marketing	147	156
Operations	129	123
Administration	104	100
	537	543

14 Directors’ remuneration

A detailed analysis of Directors’ remuneration, including salaries, bonuses and long-term incentives, and the highest paid Director, is provided in note 3 of the Company financial statements (page 136).

15 Adjusting items

The following adjusting items have been disclosed in the period because they do not reflect the underlying business activities for the Group:

	Year ended 31 August	
	2024 £'000	2023 £'000
Adjusting items:		
Acquisition and due diligence costs	98	367
Earnout in relation to acquisitions	–	786
Restructuring	(14)	534
Total adjusting items for adjusted EBITDA	84	1,687
Impairment of goodwill and acquired intangible assets	5,355	–
Amortisation of acquired intangible assets	5,510	4,451
Total adjusting items for adjusted operating profit	10,949	6,138
Tax on adjusting items	(2,842)	(1,319)
Total adjusting items for adjusted profit after tax	8,107	4,819

The impairment of acquired intangible assets and goodwill relates to the write down of the goodwill and acquired intangible assets in relation the Sequential Cash Generating Unit. The total goodwill impairment was £2.5 million and the impairment of intangible assets was £2.9 million. For more details, refer to the detailed disclosures in note 19.

Acquisition costs in FY24 relate to the acquisition of Sheriff Technology Ltd in December 2023, and Sonnox in the prior year.

16 Tax

	Year ended 31 August	
	2024 £'000	2023 £'000
Corporation tax charges		
Over provision in prior year	(359)	(309)
Current year	3,014	4,745
	2,655	4,436
Deferred taxation		
Under provision in prior year	(140)	249
Current year	(2,619)	266
	(104)	4,951

Corporation tax is calculated at 25% (FY23: 21.5%) of the estimated taxable profit for the year. Taxation for the US and German subsidiaries is calculated at the rates prevailing in the respective jurisdiction.

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

	Year ended 31 August	
	2024 £'000	2023 £'000
Current taxation		
Profit before tax on continuing operations	2,504	22,748
Tax at the UK corporation tax rate of 25% (FY23: 21.5%)	626	4,894
Effects of:		
Expenses not deductible for tax purposes	236	480
Other differences	200	(26)
Rate changes	(177)	–
Additional UK tax reliefs	(428)	(642)
Prior period adjustment	(499)	(59)
Effect of change in standard rate of deferred tax	–	12
Impact of foreign tax rates	(62)	292
Tax (credit)/charge for the year	(104)	4,951

The prior period adjustment relates to adjustments made upon finalisation of the prior year tax returns, none of which are significant in isolation.

Notes to the Financial Statements continued

For the year ended 31 August 2024

16 Tax continued

Tax credited directly to equity

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

	2024 £'000	2023 £'000
Share-based payments deferred tax	84	5
Share-based payments current tax	–	(123)
	84	(118)

The net corporation tax creditor is £1,796,000 (FY23: £2,619,000).

17 Dividends

The following equity dividends have been paid or proposed for the period:

	Year to 31 August 2024	Year to 31 August 2023
Total dividend per qualifying ordinary share	6.6p	6.6p

During the year, the Company paid an interim dividend in respect of the year ended 31 August 2023 of 2.10 pence per share (FY23: 2.1 pence per share).

On 25 November 2024, the Directors proposed a final dividend of 4.5 pence per share (FY23: 4.5 pence per share) making a total of 6.6 pence per share for the year (FY23: 6.6 pence per share).

18 Earnings per share

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

	Year ended 31 August	
	2024 £'000	2023 £'000
Profit after tax	2,608	17,797
Adjusting items (note 15)	10,949	6,138
Tax on adjusting items	(2,842)	(1,319)
Total underlying profit	10,715	22,616

	Year ended 31 August	
	2024 Number '000	2023 Number '000
Number of shares		
Weighted average number of ordinary shares	58,612	58,506
Effect of dilutive potential ordinary shares		
Share option plans	788	447
Weighted average number of total ordinary shares including dilutive impact	59,400	58,953

	Pence	Pence
EPS		
Basic EPS	4.5	30.4
Diluted EPS	4.4	30.2
Adjusted basic EPS	18.3	38.7
Adjusted diluted EPS	18.0	38.4

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

At 31 August 2024, the total number of ordinary shares issued and fully paid was 59,211,639. This included 588,017 (FY23; 624,173) shares held by the EBT to satisfy options vesting in future years. The operation of this EBT is funded by the Group so the EBT is required to be consolidated, with the result that the weighted average number of ordinary shares for the purpose of the basic EPS calculation is the net of the weighted average number of shares in issue of 59,211,639 (FY23: 59,073,009) less the weighted average number of shares held by the EBT of 599,129 (FY23: 566,408). 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.

19 Goodwill and intangible assets with indefinite useful life

	Sonnox £'000	Linea Research £'000	Sequential £'000	Martin Audio £'000	ADAM Audio £'000	Novation £'000	Total £'000
Cost							
At 1 September 2022	–	3,387	2,840	12,564	4,718	419	23,928
Goodwill on business combinations	2,683	–	–	–	–	–	2,683
Foreign Exchange	–	–	(227)	–	(46)	–	(273)
At 31 August 2023	2,683	3,387	2,613	12,564	4,672	419	26,338
Goodwill on business combinations	–	–	–	750	–	–	750
Foreign Exchange	–	–	(90)	–	(81)	–	(171)
At 31 August 2024	2,683	3,387	2,523	13,314	4,591	419	26,917

	Sonnox £'000	Linea Research £'000	Sequential £'000	Martin Audio £'000	ADAM Audio £'000	Novation £'000	Total £'000
Carrying amount							
At 31 August 2022	–	3,387	2,840	2,364	4,718	419	13,728
Goodwill on business combinations	2,683	–	–	–	–	–	2,683
Foreign Exchange	–	–	(227)	–	(46)	–	(273)
At 31 August 2023	2,683	3,387	2,613	2,364	4,672	419	16,138
Goodwill on business combinations	–	–	–	750	–	–	750
Impairment	–	–	(2,523)	–	–	–	(2,523)
Foreign Exchange	–	–	(90)	–	(81)	–	(171)
At 31 August 2024	2,683	3,387	–	3,114	4,591	419	14,194

The carrying value of goodwill includes cumulative impairment losses of £12,723,000 (FY23: £10,200,000) attributable to Martin Audio and Sequential.

The goodwill shown in the table above and intangible assets where amortisation has not yet commenced are allocated to the CGUs as per the table below. These are projects in development, which have not yet been completed.

	Goodwill £'000	Development costs Amortisation not yet commenced £'000
Focusrite and Focusrite Pro	583	723
Novation	419	322
ADAM Audio	4,591	2,271
Martin Audio	3,114	776
Sequential	–	192
Linea Research	3,387	2,369
Sonnox	2,100	450
Total	14,194	7,103

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For the year ended 31 August 2024

19 Goodwill and intangible assets with indefinite useful life continued

Assumptions for assessment of impairment

The impairment review undertaken as described below for all Cash Generating Units (CGUs) covers goodwill, intangible assets with indefinite useful lives and other non-current assets.

An impairment assessment in relation to each of these CGUs was performed by management. The recoverable amounts of these CGUs have been determined based on the value in use method. The calculations use cash flow projections based on financial budgets and three-year plan approved by management covering a three-year period to the end of FY27. Cash flows beyond that period have been extrapolated using revenue growth rates between 3% and 5% in years 4 and 5 and then a perpetual 2% growth rate (FY23: 2%) based on IMF estimates of long-term inflation thereafter (Five Year Forecast).

Key assumptions in the plan relate to revenue growth and gross margin rates. These are determined using internal forecasts using a granular product based forecast taking into account product launches and lifecycles and the Group’s three year plan which considers relevant macro-economic indicators, including the impacts of costs on products and overheads. The Group structure is assumed to remain unchanged, and with all Group companies executing on their existing product roadmaps.

The discount rate applied against future cash flows has been calculated with reference to a weighted average cost of the capital (WACC) calculated by reference to an industry peer group relevant to each of the cash generating units. Inputs include a 20-year nominal risk-free rate and market risk premium.

There is significant headroom between the carrying value and the value in use of all CGUs, with the exception of Sequential, and so the Directors believe that any reasonably possible changes in the key assumptions referred to would not give rise to an impairment charge for these CGUs.

Impairment of Sequential CGU

The impairment of goodwill and intangible assets relates to the write down of the goodwill and intangible assets in relation the Sequential CGU. The Sequential CGU comprises the Sequential and Oberheim brands, managed through one management and innovation team. Sequential was acquired in 2021 for £14.5 million, and the Oberheim brand was acquired in 2022 for £4.5 million. The assets of the CGU have a net book value pre impairment of £18.7m at the 31 August 2024 including £2.6 million of goodwill before the impact of any impairment charge.

Since the acquisitions, the broader Musical Instruments industry has suffered, impacted by both lower demand due to cost of living issues and a surplus of stock in the channel post COVID-19 impacting pricing across multiple categories. Sequential operates at the premium semi-professional end of the market, with products priced around \$3,000 – \$5,000 and as a result have been particularly hard hit by these issues with a reported revenue decline of 33.0% this year and 10.5% in FY23.

The Sequential team have managed this decline well, successfully relaunching the Oberheim brand with the award winning OBX8 synthesizer and introducing the lower cost Teo 5 synthesizer this year, with plans to further extend the lower price point range of both brands. This is expected to bring the brands back to growth, however given the lower base in FY24 and the time needed to bring these products to market, this has resulted in a lower overall cashflow going forward and a resulting impairment of £5.4 million. This impairment has been allocated to goodwill of £2.6 million and the remainder (£2.8 million) to acquired brands and intellectual property and research in development now in use.

Forecasts assumed the release of products in line with the existing product roadmap. A reasonable possible change could be a 6 month delay in the launch of these products, which would result in a further impairment of £2 million. Gross margins are assumed to improve marginally due to production efficiencies. A reasonable possible change would be an assumption that they remain flat due to increased promotional activity which would result in a further impairment of £2 million. The long term growth rate is assumed to be 2% based on IMF estimates. A reasonable possible change would be a drop of 0.5% which would result in a further impairment of £0.8 million. A reasonable possible change in the WACC would reduce the impairment charge.

This impairment was calculated using the Five Year Forecast, calculating a post tax cashflow and using a post tax WACC of 12.1%, with profits taxable in the US in California.

The following pre-tax discount rates were then used for the CGUs:

	2024	2023
CGUs		
Focusrite and Focusrite Pro	14.9%	15.2%
Novation	15.0%	15.8%
ADAM Audio	16.1%	15.7%
Martin Audio	16.7%	16.8%
Sequential	16.8%	16.5%
Linea Research	15.7%	15.8%
Sonnox	15.8%	15.8%

The pre tax discount rates used in FY24 have decreased for the majority of CGUs from the prior year due to the decrease in underlying interest rates. Management believes that any reasonably possible change in any assumptions on which these CGUs’ recoverable amounts are based would not cause the carrying amount to exceed their respective recoverable amounts, with the exception of Sequential.

20 Other intangible assets

	Technology, Products and Patents				Intellectual property, licences and trademarks £'000	Computer software £'000	Total £'000
	Brands £'000	Acquired – in use £'000	Internally generated – in use £'000	Internally generated – in development £'000			
Cost							
At 1 September 2022	26,318	30,178	27,708	8,310	3,726	1,384	97,624
Additions							
Acquired separately	–	–	–	–	1,706	318	2,024
Products developed during the year	–	–	2,514	6,085	–	–	8,599
Business combinations	400	4,700	–	450	–	3	5,553
Transfers	–	801	5,600	(6,261)	–	(140)	–
Disposals	–	–	(4,108)	–	–	–	(4,108)
Foreign exchange	(1,010)	(628)	(183)	(55)	(2)	–	(1,878)
At 31 August 2023	25,708	35,051	31,531	8,529	5,430	1,565	107,814
Additions							
Acquired separately	–	–	–	–	3,037	3	3,040
Products developed during the year	–	–	1,859	6,934	–	–	8,793
Business combinations	–	2,242	–	–	–	–	2,242
Transfers	–	–	8,306	(8,306)	–	–	–
Disposals	–	–	(2,446)	–	(55)	–	(2,501)
Foreign exchange	(468)	(135)	(207)	(54)	(11)	–	(875)
At 31 August 2024	25,240	37,158	39,043	7,103	8,401	1,568	118,513
Accumulated Amortisation							
At 1 September 2022	3,909	7,377	20,562	970	1,683	1,159	35,660
Charge for the year	1,885	3,536	4,824	–	342	244	10,831
Transfer	–	–	239	–	–	(239)	–
Eliminated on disposal	–	–	(4,081)	–	–	–	(4,081)
Reversal of amortisation	–	–	–	(970)	–	–	(970)
Foreign exchange	(196)	(116)	(22)	–	(1)	–	(335)
At 31 August 2023	5,598	10,797	21,522	–	2,024	1,164	41,105
Charge for the year	1,888	3,622	4,988	–	470	230	11,198
Impairment	1,303	784	745	–	–	–	2,832
Eliminated on disposal	–	–	(2,411)	–	(15)	–	(2,426)
Foreign exchange	(156)	(67)	(33)	–	(5)	–	(261)
At 31 August 2024	8,633	15,136	24,811	–	2,474	1,394	52,448
Carrying amount							
At 31 August 2024	16,607	22,022	14,232	7,103	5,927	174	66,065
At 31 August 2023	20,110	24,254	10,009	8,529	3,406	401	66,709
At 1 September 2022	22,409	22,801	7,146	7,340	2,043	225	61,964

In FY23 an adjustment was made to accumulated amortisation on assets in development to reverse amortisation of £970,000 incorrectly charged from the date of acquisition and not from the date the asset was brought into use.

The impairment in FY24 relates to an impairment to the Sequential CGU, the assumptions for which are included in note 19.

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For the year ended 31 August 2024

21 Property, plant and equipment

	Land and buildings £'000	Plant, tooling equipment and machinery £'000	Right-of-use assets £'000	Fixtures, fittings and leasehold improvements £'000	Computer equipment £'000	Customer demonstration units £'000	Total £'000
Cost							
At 1 September 2022	1,500	4,057	10,272	1,632	1,995	119	19,575
Additions	–	729	1,400	2,195	280	–	4,604
Additions through business combination	–	–	–	36	–	–	36
Disposals	–	(20)	(393)	–	(8)	–	(421)
Foreign exchange	–	(3)	(148)	(69)	(40)	–	(260)
At 31 August 2023	1,500	4,763	11,131	3,794	2,227	119	23,534
Additions	–	126	411	351	255	397	1,540
Disposals	–	(11)	–	(10)	(8)	–	(29)
Foreign exchange	–	(1)	(95)	(22)	(20)	–	(138)
At 31 August 2024	1,500	4,877	11,447	4,113	2,454	516	24,907
Accumulated depreciation							
At 1 September 2022	30	2,557	3,132	1,261	1,608	117	8,705
Charge for the year	30	607	985	732	323	–	2,677
Disposals	–	(20)	(211)	–	(3)	–	(234)
Foreign exchange	–	(2)	(51)	(25)	(31)	–	(109)
At 31 August 2023	60	3,142	3,855	1,968	1,897	117	11,039
Charge for the year	60	782	1,023	725	297	–	2,887
Disposals	–	(5)	–	(10)	(1)	–	(16)
Foreign exchange	–	(1)	(55)	(25)	(18)	–	(99)
At 31 August 2024	120	3,918	4,823	2,658	2,175	117	13,811
Carrying amount							
At 31 August 2024	1,380	959	6,624	1,455	279	399	11,096
At 31 August 2023	1,440	1,621	7,276	1,826	330	2	12,495
At 1 September 2022	1,470	1,500	7,140	371	387	2	10,870

22 Subsidiaries and other undertakings

The Group's subsidiary and other undertakings for the period are listed below, including the name, country of incorporation, and proportion of ownership interest:

Name	Country of registration or incorporation	Address	Principal activity	Class of shares	2024 %	2023 %
Focusrite Audio Engineering Limited ('FAEL')	England and Wales	Artisan, Hillbottom Road, High Wycombe, Bucks HP12 4HJ, England	Manufacture and distribution	Ordinary	100	100
Focusrite Group USA. ⁴	US	909 N Pacific Coast Highway Suite 270, EL Segundo, CA, 90245, USA	Marketing services	Ordinary	100	100
Focusrite Group EMEA Limited	England and Wales	Artisan, Hillbottom Road, High Wycombe, Bucks HP12 4HJ, England	Wholesale of other machinery and equipment	Ordinary	100	100
Focusrite Novation Asia Limited ¹	Hong Kong	2316, 23/F Hong Kong Plaza, 181–191 Connaught Road West, Shek Tong Tsui, Hong Kong	Marketing services	Ordinary	100	100
Focusrite Australia PTY Limited ¹	Australia	Suite 5, Level 1, 796 High Street, Kew East, Victoria 3102, Australia	Marketing services	Ordinary	100	100
Pro Audio Beteiligungs GmbH	Germany	Grünstraße 13, Hugstetten, 79232, Germany	Holding company	Ordinary	100	100
ADAM Audio GmbH ²	Germany	Rudower Chaussee 50, Berlin 12489, Germany	Manufacture and distribution	Ordinary	100	100
Dongguan ADAM Audio Business Service Co., Limited ²	China	Room 505, Building 1 (-3H Maker Center), No. 552, Tangxia Avenue North, Tangxia Town, Dongguan, Guangdong, China	Operational services	Ordinary	100	100
Optimal Audio Group Limited	England and Wales	Unit 2 Century Point, Halifax Road, High Wycombe, Bucks HP12 3SL, England	Manufacture and distribution	Ordinary	100	100
Martin Audio Limited ³	England and Wales	Unit 2 Century Point, Halifax Road, High Wycombe, Bucks HP12 3SL, England	Manufacture and distribution	Ordinary	100	100
Linea Research Holdings Ltd ³	England and Wales	Unit 1 & 2 Aylesford Court, Works Road, Letchworth Garden City, Hertfordshire SG6 1LP, England	Activities of other holding companies	Ordinary	100	100
Linea Research Limited ³	England and Wales	Unit 1 & 2 Aylesford Court, Works Road, Letchworth Garden City, Hertfordshire SG6 1LP, England	Other engineering activities	Ordinary	100	100
Herts & Beds Electronic Services Limited ³	England and Wales	Unit 1 & 2 Aylesford Court, Works Road, Letchworth Garden City, Hertfordshire SG6 1LP, England	Wholesale of electronic and telecommunications equipment and parts	Ordinary	100	100
Aylesford Court (Letchworth) Management Company Ltd ³	England and Wales	Lewis House, Great Chesterford Court, Great Chesterford, Essex CB10 1PF, England	Combined facilities support activities	Ordinary	40	40
Sheriff Technology Limited ³	England and Wales	Unit 4 Church Meadows, Haslingford Road, Barrington, Cambridge, Cambridgeshire CB22 7RG, England	Manufacture and distribution	Ordinary	100	–
Innovate Audio Limited ³	England and Wales	Unit 2, Century Point Halifax Road, Cressex Business Park, High Wycombe HP12 3SL, England	Business and domestic software development	Ordinary	100	–
Sonnox Limited	England and Wales	Unit 1, Manor Barns Witney Road, Finstock, Chipping Norton, Oxon OX7 3DG, England	Software development	Ordinary	100	100
Focusrite Investments Inc.	USA	909 N Pacific Coast Highway Suite 270, EL Segundo, CA, 90245, USA	Holding company	Ordinary	100	100
Sequential LLC ⁴	USA	1527 Stockton Street, 3rd Floor, San Francisco, CA 94133, USA	Manufacture and distribution	Ordinary	100	100
Marion Systems LLC ⁴	USA	1527 Stockton Street, 3rd Floor, San Francisco, CA 94133, USA	High-end synth production company	N/A	100	100
Sequential Synths limited ⁴	England and Wales	Artisan, Hillbottom Road, High Wycombe, Bucks HP12 4HJ, England	Leasing of intellectual property and similar products	Ordinary	100	100

1 Owned indirectly through FAEL.
2 Owned indirectly through Pro Audio Beteiligungs GmbH.
3 Owned indirectly through Optimal Audio Group Limited.
4 Owned indirectly through Focusrite Investments Inc.

Notes to the Financial Statements continued

For the year ended 31 August 2024

22 Subsidiaries and other undertakings continued

Focusrite plc has issued guarantees over the liabilities of the following companies at 31 August 2024 under Section 479C of the Companies Act 2006 and these entities are exempt from the requirements of the Act relating to the audit of individual accounts by virtue of Section 479A of the Act.

Company name	Company number
Focusrite Audio Engineering Limited	02357989
Focusrite Group EMEA Limited	14881828
Optimal Audio Group Limited	11341979
Martin Audio Limited	04824341
Linea Research Holdings Limited	11727359
Linea Research Limited	04742566
Herts & Beds Electronic Services Limited	07205776
Sonnox Limited	05820431
Sequential Synths Limited	14432484
Sheriff Technology Limited	04317138
Innovate Audio Limited	13022655

23 Inventories

	2024 £'000	2023 £'000
Raw materials	4,738	9,450
Work in progress	1,986	2,011
Finished goods	42,543	43,795
	49,267	55,256

The stock value includes a provision of £3,925,626 (FY23: £4,581,070). This stock provision is for slow moving inventory and raw material where demand is low, therefore is at higher risk of becoming obsolete. Of this provision, £396,000 (FY23: £517,000) was reversed and £2,002,000 (FY23: £224,000) was utilised during the year. The increase in utilisation relates to the further provision and then utilisation of a provision relating to the sell out of Vocaster stock.

Stock charged to cost of sales during the year was £74,147,000 (FY23: £75,548,000).

No specific inventories have been pledged as security against borrowings (FY23: £nil). The Group's bankers are party to a debenture which provides for security over the whole of the Company and certain subsidiaries assets and undertakings. This debenture is in place to support the RCF, provision of forward contracts and a duty deferment facility.

24 Trade and other receivables

	2024 £'000	2023 £'000
Trade debtors	33,708	28,783
Expected credit loss	(254)	(166)
	33,454	28,617
Other debtors	470	362
Prepayments	2,943	2,370
Indirect tax debtor	524	1,035
	37,391	32,384

Trade receivables

Trade receivables disclosed above are classified as loans and receivables and are measured at amortised cost.

The Group has not charged interest for late payment of invoices in FY23 or FY24, but in certain cases the Group has withheld some of that customer's discount from the invoiced price.

Expected credit loss is recognised on the total trade receivables based on estimated irrecoverable amounts by reference to past default experience. Specific counterparty risk is also considered where an analysis of the counterparty's current financial position indicates a change in credit risk.

A single major distributor accounted for 47% (FY23: 31%) of the total balance of trade receivables net of allowances for doubtful debts. This is largely covered by credit insurance. No other single customer accounted for more than 10% of the total balance of trade receivables net of allowances for doubtful debts during the period under review.

Trade receivables disclosed above include amounts which are past due at the year end but against which the Group has not recognised an allowance for doubtful receivables. There has not been a significant change in credit quality during the year and the amounts are still considered recoverable.

Ageing of not impaired receivables

	2024 £'000	2023 £'000
Not overdue	18,446	16,284
Overdue between 0 and 30 days	13,256	9,862
Overdue between 31 and 60 days	504	2,135
Overdue between 61 and 90 days	294	150
Overdue more than 90 days	954	186
	33,454	28,617

Movement in the expected credit loss

	2024 £'000	2023 £'000
Balance at the beginning of the period	166	458
Movement in expected loss recognised	88	(292)
Balance at the end of the period	254	166

Ageing of impaired trade receivables

	2024 £'000	2023 £'000
Overdue up to 0 and 30 days	–	46
Overdue between 31 and 60 days	–	4
Overdue between 61 and 90 days	–	–
Overdue more than 90 days	254	116
	254	166

Of the £254,000 (FY23: £166,000) provision for the expected credit loss, none of this covers debt that has been provided for in full (FY23: £12,000).

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

25 Deferred tax

The following are the major deferred tax (liabilities)/assets recognised by the Group:

	Intangible assets recognised on acquisition £'000	Capitalised development costs £'000	Share-based payments £'000	Other deferred tax £'000	Hedging instrument £'000	Total £'000
Cost						
At 1 September 2022	6,780	2,625	(428)	(722)	(63)	8,192
Transfers	–	1,053	–	(1,053)	–	–
(Credit) debit to income statement	59	(258)	272	442	–	515
(Credit) debit to other comprehensive income	18	–	–	–	186	204
Arising on business combinations	1,374	–	–	11	–	1,385
Directly recognised in equity	–	–	(5)	–	–	(5)
At 31 August 2023	8,231	3,420	(161)	(1,322)	123	10,291
(Credit)/debit to income statement	(2,792)	711	14	(461)	–	(2,528)
Credit to other comprehensive income	–	–	–	–	(123)	(123)
Arising on business combinations	560	–	–	–	–	560
Directly recognised in equity	–	–	84	–	–	84
Foreign exchange differences	(49)	–	–	(86)	–	(135)
At 31 August 2024	5,950	4,131	(63)	(1,869)	–	8,149

Other deferred tax includes £1,881,000 (FY23: £1,298,000) relating to deferred tax assets on the elimination of unrealised profit held within stock and £779,000 (FY23: £194,000) relating to deferred tax liabilities on fixed asset timing differences.

Deferred tax assets and liabilities are offset when related to income taxes levied by the same taxation authority. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2024 £'000	2023 £'000
Deferred tax liabilities	(10,815)	(10,824)
Deferred tax assets	2,666	533
	(8,149)	(10,291)

Notes to the Financial Statements continued

For the year ended 31 August 2024

26 Other liabilities

The Group has leases for its offices, warehouses and related facilities, plant and machinery and some vehicles. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet. The Group classifies its right-of-use assets within ‘property, plant and equipment’ (see note 21).

The remaining terms of the leases for offices and warehouses range from one to ten years in term, with the last leases due to expire in 2032. Lease payments are generally fixed and there is no option to purchase the buildings at the end of the term. For leases over office buildings and warehouses, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

Right-of-use assets consist of the following leases:

	2024 £'000	2023 £'000
Offices and warehouses	6,522	7,142
Vehicles	102	134
	6,624	7,276

Lease liabilities are split between current and non-current:

	2024 £'000	2023 £'000
Current	1,001	1,201
Non-current	5,330	6,009
	6,331	7,210

When measuring the lease liabilities, the Group discounts lease payments using its incremental borrowing rate. The weighted average rate applied to leases adopted in the year was 3.7% (2023: 1.2%).

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable leases, which fall due as follows:

	2024 £'000	2023 £'000
Within one year	1,001	1,201
Between 2 and 5 years	3,627	4,162
After 5 years	1,703	1,847
	6,331	7,210

At the balance sheet date, the Group had the following liabilities in relation to staged acquisition payments relating to the purchase of the Oberheim brand in May 2022:

	2024 £'000	2023 £'000
Within one year	526	560
Between 2 and 5 years	1,463	2,062
After 5 years	–	–
	1,989	2,622

Total other liabilities

	2024 £'000	2023 £'000
Within one year	1,527	1,761
Between 2 and 5 years	5,090	6,224
After 5 years	1,703	1,847
	8,320	9,832

27 Trade and other payables

	2024 £'000	2023 £'000
Trade payables	18,710	26,044
Accruals	9,473	10,747
Contract liability	1,066	1,708
Other taxation and social security	1,496	1,204
	30,745	39,703

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. No interest costs have been incurred in relation to trade payables. The Group policy is to ensure that payables are paid within the pre-agreed credit terms and to avoid incurring penalties and/or interest on late payments. Other creditors include sales taxes, property taxes, social security and employment taxes due to local tax authorities.

28 Provisions

	Warranty £'000	Duty £'000	Property £'000	Total £'000
At 1 September 2023	282	386	602	1,270
Provisions released	–	–	(381)	(381)
Provided	23	–	–	23
Utilisation	–	(386)	–	(386)
Foreign exchange	(4)	–	–	(4)
At 31 August 2024	301	–	221	522
Current	301	–	221	522

The Group provides warranty cover for its products for no additional charge in respect of manufacturing defects which become apparent shortly after purchase. The Group offers warranties of up to five years and the estimated liability for product warranty is recognised when products are sold. No additional warranty services are provided to customers. These estimates are established using historical information on the nature, frequency and average cost of warranty claims and cost to repair.

Property provisions costs relate to the best estimate to reinstate the Group's leased building to their condition at lease commencement.

29 Share capital

	2024 Number	2023 Number
Issued and fully paid		
Ordinary shares of £0.001 each	59,211,639	59,211,639

	2024 £	2023 £
Issued and fully paid		
Ordinary shares of £0.001 each	59,212	59,212

In the financial year, nil shares were issued to the EBT (FY23: 550,000).

Notes to the Financial Statements continued

For the year ended 31 August 2024

30 Other reserves

Share premium reserve

	2024 £'000	2023 £'000
Balance at 1 September and 31 August	115	115

Merger reserve

	2024 £'000	2023 £'000
Balance at 1 September and 31 August	14,595	14,595

On 4 December 2014, Focusrite plc obtained control of 100% of the share capital of FAEL in a share-for-share exchange, thereby inserting Focusrite plc as the Parent Company of the Group. In accordance with the Companies Act 2006, the difference between the cost of the investment and the nominal value of the share capital acquired was recognised in the merger reserve.

Merger difference reserve

	2024 £'000	2023 £'000
Balance at 1 September and 31 August	(13,147)	(13,147)

Under IFRS 3, the equity structure should reflect the equity structure of the legal parent (Focusrite plc) including the equity interests Focusrite plc issued to the combination. The merger difference reserve is the difference between the sum of the plc share capital and merger reserve, and the sum of the FAEL share capital, share premium and capital redemption reserve.

There were no movements in the merger difference reserve in the period.

Translation reserve

	2024 £'000	2023 £'000
Balance at 1 September	(2,757)	(1,015)
Exchange differences on translating the net assets of foreign operations	(923)	(1,742)
Balance at 31 August	(3,680)	(2,757)

Exchange differences relating to the translation of the net assets and results of the Group's US, German, Australian and Hong Kong subsidiaries from its functional currency into the Group's presentational currency are recognised directly in the translation reserve.

Hedging reserve

	2024 £'000	2023 £'000
Balance at 1 September	491	(293)
(Loss)/gain on forward exchange contracts	(491)	784
At 31 August	–	491

EBT reserve

	2024 £'000	2023 £'000
Balance at 1 September	(1)	(1)
Shares issued to the EBT	–	–
Share options exercised	–	–
Balance at 31 August	(1)	(1)

The EBT reserve arose when the Company issued equity share capital which is held in trust by the EBT. The interests of this trust are consolidated into the Group's financial statements and the relevant amount treated as a reduction in equity. The shares held in the trust relate to share options granted; upon exercise of the share options this amount is reduced.

31 Cash and cash equivalents

	2024 £'000	2023 £'000
Cash and bank balances per the balance sheet	22,040	26,787
Net cash per the cash flow statement	22,040	26,787

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The Group has no outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

32 Share-based payments

Equity-settled share option schemes

2,266 options over Focusrite plc's shares were exercised during the year ended 31 August 2024 (2023: 211,005). As at 31 August 2024, the total number of ordinary shares under option in Focusrite plc was 1,078,198 (FY23: 734,404) of which 588,017 (FY23: 624,173) can be satisfied by ordinary shares that are held in the EBT.

The remaining number of options would, if exercised, result in the issue of 490,181 (FY23: 110,231) ordinary shares. The options held by the Directors are subject to performance-related vesting conditions.

The weighted average share price at the date of exercise for share options exercised during the year ended 31 August 2024 was £4.75 (2023: £8.15). For the share options outstanding at the year end, the weighted average remaining contractual life was 6.5 years (2023: 7.0 years).

	2024		2023	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
Outstanding at start of year	734,404	2.37	786,166	3.08
Granted during the year				
2023 PSP: Executive Directors	145,414	0.01		
2023 PSP: Other senior employees	132,038	0.01		
2023 RockStars	153,527	0.01		
2022 PSP: Executive Directors			77,381	0.001
2022 PSP: Other senior employees			74,241	0.001
2022 Rockstars			73,153	0.001
Exercised during the year				
2019 PSP			(71,420)	0.001
2018 LTIP			(92,542)	3.93
2019 LTIP	(666)	3.94	(38,829)	5.10
2020 LTIP	(1,600)	5.10	(2,082)	6.45
Management shares			(6,132)	0.001
Cancelled during the year				
2018 LTIP	(4,402)	5.10	(2,479)	3.94
2019 LTIP	(9,585)	6.45	(11,290)	5.10
2020 LTIP			(14,031)	6.45
2020 PSP: Executive Directors	(39,537)	0.01	(9,904)	–
2021 PSP: Executive Directors	(5,021)	0.01	(5,021)	–
2022 PSP: Executive Directors	(9,904)	0.01	(8,347)	–
2021 Rockstars	(2,357)	0.01	(7,262)	–
2022 Rockstars	(4,836)	0.01	(7,198)	–
2023 Rockstars	(9,277)	0.01		–
Outstanding at the end of the year	1,078,198	4.75	734,404	2.25
Exercisable at the end of the year	372,505	4.19	232,017	3.83

	2024 £'000	2023 £'000
Expense/(Credit) arising from share-based payment transactions	158	(282)

The estimated fair value of the share options was calculated by applying a Black-Scholes model. The model inputs were:

Grant date	Share price at date of grant	Exercise price £'000	Expected volatility	Dividend yield £'000	Contractual life of option	Risk-free interest rate
01 September 2014	£1.74-£2.00	£0.001	51.8%	1.50%	3-5 years	1.93%
18 September 2014	£0.15	£0.15	51.8%	1.50%	3-5 years	0.56-1.93%
01 December 2015	£1.76	£1.76	37.2-40.6%	1.50%	3-5 years	1.46-1.59%
12 March 2018	£3.94	£3.94	31.0%	0.99%	3 years	1.24-1.34%
13 March 2019	£5.10	£5.10	31.6%	0.63%	3 years	0.97-1.04%
17 February 2020	£6.37	£6.37	31.0%	0.61%	3 years	0.5-0.53%
18 June 2020	£6.45	£6.45	33.6%	0.40%	3 years	0.03-0.08%
78 November 2020	£9.35	£0.001	n/a	0.75%	3 years	n/a
16 November 2021	£16.25	£0.001	n/a	0.28%	3 years	n/a
20 December 2022	£8.40	£0.001	n/a	0.66%	3 years	n/a
28 November 2023	£4.58	£0.001	n/a	1.36%	3 years	n/a

Notes to the Financial Statements continued

For the year ended 31 August 2024

33 Retirement benefit scheme

The Group operates a number of defined contribution pension plans which are open to all employees.

Other than amounts that are deducted from employees’ remuneration and accrued pending payment to the pension fund, no further obligations fall on the Group as the assets of these arrangements are held and managed by third parties entirely separate from the Group.

The pension charge for the year represents contributions payable to the fund and amounted to £805,000 (FY23: £752,000) for the year. Contributions totalling £13,000 (FY23: £20,000) were payable to the fund at the balance sheet date and are included in trade and other payables.

34 Financial instruments

Capital risk management

The Group manages its capital to maximise future profitable growth and thereby the return on investment for shareholders. The Group’s overall strategy has evolved in the last five years in response to both organic and acquisition-related growth opportunities.

The capital structure of the Group consists of cash and cash equivalents, and equity attributable to equity holders of the Parent Company, comprising issued capital, reserves and retained earnings, as disclosed in notes 29 and 30.

The Group is not subject to any externally imposed capital requirements. Equity includes all capital and reserves of the Group that are managed as capital.

Categories of financial instruments

	2024 £’000	Re-presented* 2023 £’000
Financial assets		
Cash and cash equivalents	22,040	26,787
Trade and other receivables	33,454	28,617
Derivative financial assets designated and effective as cash flow hedging instruments	–	491
	55,494	55,895
Financial liabilities		
Trade and other payables	18,710	26,044
Bank loan and arrangement fee	34,565	28,093
Amounts payable in relation to staged acquisition payments	2,166	2,621
Lease liabilities	6,331	7,210
	61,772	63,968

*Amounts as at 31 August 2023 have been re-presented to include lease liabilities in the total financial liabilities.

The £0.5 million recorded as at 31 August 2024 against bank loan and arrangement fee is the amount paid to arrange the RCF in December 2019 (FY23: £0.1 million). The cost is being written down over the term of the RCF, which is four years. This is shown net with the loan amount. As at 31 August 2024 the amount drawn down against the RCF is £35.1 million (FY23: £28.2 million).

Financial assets and liabilities are measured at amortised cost with the exception of financial derivatives which are held at fair value.

Financial risk management objectives

The Group’s finance function is responsible for all aspects of corporate treasury. It coordinates access to financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal reports which analyse exposures by degree and magnitude. The risks reviewed include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group’s policies approved by the Board of Directors, which provide guidance to the finance function in addressing all risks, including foreign exchange risk, credit risk and the appropriate use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group’s bankers are party to a debenture which provides for security over the whole of the Company’s assets and undertakings. This debenture is in place to support the RCF, provision of forward contracts and a duty deferment facility.

Market risk

The Group’s activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk. Currently the exposure to short-term foreign exchange rate risks is mitigated through the purchase of forward foreign exchange contracts to hedge the exchange rate risk arising on trading with overseas customers.

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters, utilising forward foreign exchange contracts.

The carrying amounts of the Group’s monetary assets and monetary liabilities at the relevant period end dates are as follows:

	Liabilities		Assets	
	2024 £’000	2023 £’000	2024 £’000	2023 £’000
US Dollar (USD)	18,522	18,328	30,431	31,368
Euro	2,297	1,140	11,536	10,037
Australian Dollar	273	316	978	1,319
Hong Kong Dollar	242	11	36	141
Sterling (GBP)	40,438	36,963	12,513	13,030
	61,772	56,758	55,494	55,895

Foreign currency sensitivity analysis

The Group is mainly exposed to the Euro and US Dollar.

The following table details the Group’s sensitivity to a 10% increase and decrease in GBP against the relevant foreign currencies.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

	Euro impact		USD impact	
	2024 £’000	2023 £’000	2024 £’000	2023 £’000
Profit or loss impact	903	989	753	1,449

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts during the following financial year with the aim that approximately 75% of the Euro foreign exchange exposure is covered. In addition, in accordance with the group policy, hedges for approximately 50% of the Euro foreign exchange exposure for the year after that will be taken out post year end. At 31 August 2024 the forward foreign exchange contracts for the upcoming financial reporting period were not yet finalised.

Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place. The Group hedges payments and receipts of trade debtors and creditors and no other financial assets, and therefore there is no uncertainty over the accounting for any payments for stock and other financial assets.

As at 31 August 2024, the forward foreign exchange contracts for the upcoming financial reporting period had not been finalised. For the current and prior year, all forward foreign exchange contracts have been hedge accounted. For these cash flow hedges, the following table sets out the periods when the cash flows are expected to occur and when they are expected to affect profit or loss:

	2023				
	Carrying amount £’000	Expected cash flow £’000	Within 1 year £’000	Between 1 and 5 years £’000	Over 5 years £’000
Forward exchange contracts					
Assets	491	491	491	–	–
Total	491	491	491	–	–

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group has a well-established system of credit limits and credit insurance, where credit insurance typically covers around 80% of the Group’s trade receivables.

The carrying amount recorded for financial assets in the consolidated financial information is net of impairment losses and represents the Group’s maximum exposure to credit risk. No guarantees have been given in respect to third parties.

Notes to the Financial Statements continued

For the year ended 31 August 2024

34 Financial instruments continued

Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. To counter this risk, the Group operates with a high level of cash and has a RCF in place. In addition, it benefits from strong cash flow from its normal trading activities.

The following table details the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Financial assets	Less than 1 month £'000	1 to 3 months £'000	3 months to 1 year £'000	1 to 5 years £'000	5+ years £'000	Total £'000
2024						
Non-interest bearing	22,040	–	–	–	–	22,040
	22,040	–	–	–	–	22,040
2023						
Non-interest bearing	26,787	–	–	–	–	26,787
	26,787	–	–	–	–	26,787

Financial liabilities	Less than 1 month £'000	1 to 3 months £'000	3 months to 1 year £'000	1 to 5 years £'000	5+ years £'000	Total £'000
2024						
Non-interest bearing	–	–	174	362	–	536
Interest bearing RCF	(35,101)	–	–	–	–	(35,101)
	(35,101)	–	174	362	–	(34,565)
2023						
Non-interest bearing	–	–	99	–	–	99
Interest bearing RCF	(28,192)	–	–	–	–	(28,192)
	(28,192)	–	99	–	–	(28,093)

The amounts drawn down on the RCF are shown as less than one month as this is the agreed term of the draw down, but it can be renewed within the term of the credit facility.

The £0.5 million (FY23: £0.1 million) recorded against bank loan and arrangement fee as at 31 August 2024 is the amount paid to arrange the RCF in September 2023. The cost is being written down over the term of the RCF, which is four years.

The movement in financial liabilities is shown below:

	2024 £'000	2023 £'000
Balance as at 1 September	28,093	13,054
Changes from financing cash flows:		
Proceeds from loans and borrowings	10,050	15,226
Repayment of loans and borrowings	(2,750)	–
	35,393	28,280
Other changes		
Capitalisation of RCF arrangement fee	(695)	–
Write-down of RCF arrangement fee	259	75
Foreign Exchange	(392)	(262)
Balance at 31 August	34,565	28,093

The maturity of non-derivative financial liabilities, comprising trade payables and other creditors, is less than three months for both of the financial period ends.

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the relevant year ends presented above.

On 22 September 2023, Focusrite plc renewed and extended a £50 million RCF with HSBC UK and NatWest, for a period of four years. Under this agreement, Focusrite plc may draw down funds on demand, at an interest rate of 1.65%–2.30% + SONIA on utilised funds and 35% of margin on unutilised funds. This facility was extended for a further year in September 2024.

The movement in lease liabilities was as follows:

	2024 £'000	2023 £'000
Balance at 1 September	7,210	6,910
Lease payments	(1,423)	(1,427)
	5,787	5,483
Interest on lease liabilities	180	438
New leases in the year	413	1,320
Foreign exchange	(49)	(31)
Balance at 31 August	6,331	7,210

The following table sets out the periods when the cash flows in respect of leases are expected to occur:

	Carrying amount £'000	Expected cash flow £'000	Within 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000
--	-----------------------------	--------------------------------	---------------------------	-----------------------------------	--------------------------

As at 31 August 2024					
Lease liabilities	6,331	6,774	1,105	3,938	1,731
Total	6,331	6,774	1,105	3,938	1,731

As at 31 August 2023					
Lease liabilities	7,210	7,692	1,293	4,528	1,871
Total	7,210	7,692	1,293	4,528	1,871

The total charge of short term and low value leases for which an exemption from IFRS 16 was taken during the year was £56,000 (FY23: £68,000).

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models 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 contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Fair value measurements recognised in the Statement of Financial Position

Under IAS 39, all derivative financial instruments not in a hedge relationship are classified as derivatives at fair value through the income statement. The Group does not use derivatives for speculative purposes. All transactions in derivative financial instruments are underpinned by firm orders from customers or to suppliers or where there is a high degree of certainty that orders will be received.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Notes to the Financial Statements continued

For the year ended 31 August 2024

35 Related party transactions

Balances and transactions between the Parent Company and its subsidiary, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties are disclosed below.

Remuneration of key management personnel

The key management personnel are the operational Directors of the Group and the remuneration that they have received during the year while employed as an operational Director is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2024 £'000	2023 £'000
Short-term employee benefits	2,912	2,339
Share-based payments	212	466
Pension contributions	39	45
	3,163	2,850

More details on the members of the Board can be found on pages 64 and 65.

Transactions involving Directors and key management personnel

During the year, the Company continued a commercial lease agreement in Lincoln Road, High Wycombe. Mr P Dudderidge, a Director and shareholder of the Company, is the landlord of the property in Lincoln Road, High Wycombe. The annual rental is £24,250 (FY23: £24,250) and is considered to be at arm's length. No amounts are outstanding at the year end (FY23: £nil). Mr P Dudderidge purchased an Sequential Synth from Focusrite Group EMEA Limited for the price of £1,400. The transaction is considered to be at arm's length, No amounts are outstanding at year end.

36 Capital commitments

As at 31 August 2024, the Group had no capital commitments. (FY23: US\$2.9 million relating to technical development work with an external third party.)

37 Post balance sheet events

In September 2024 the Group extended the existing RCF facility with Natwest and HSBC for a further year, the expiry date now being September 2028.

In October 2024 the Board approved a change in the accounting reference date from 31 August to 28 February. The next statutory reporting period will be an 18 month period to 28 February 2026.

Company Balance Sheet

As at 31 August 2024

	Note	2024 £'000	2023 £'000
Assets			
Non-current assets			
Investment in subsidiaries	6	70,184	70,154
Intangible assets	7	56	107
Trade and other receivables	8	36,640	34,115
Total non-current assets		106,880	104,376
Current assets			
Trade and other receivables	8	2,994	528
Deferred tax asset		7	49
Cash at bank and in hand		49	59
Total current assets		3,050	636
Creditors: amounts falling due within one year			
Trade and other payables	9	(37,090)	(33,783)
Bank loan	10	(34,565)	(27,093)
Total current liabilities		(71,655)	(60,876)
Net current liabilities		(68,605)	(60,240)
Total assets less current liabilities		38,275	44,136
Net assets		38,275	44,136

Capital and reserves			
Share capital	11	59	59
Share premium		115	115
Merger reserve	12	14,595	14,595
Employee Benefit Trust ('EBT') reserve	13	(1)	(1)
Non-distributable reserve		3,650	3,650
Retained earnings		19,857	25,718
Total equity and shareholders' funds		38,275	44,136

Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account. The Company reported a loss for the financial year ended 31 August 2024 of £2.1 million (FY23: profit of £4.3 million).

The financial statements were approved by the Board of Directors and authorised for issue on 27 November 2024. They were signed on its behalf by:

Sally McKone

Chief Financial Officer

Registered number 9312676

The accompanying notes on pages 135 to 139 form part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 August 2024

	Share capital £'000	Share premium £'000	Merger reserve £'000	EBT reserve £'000	Non-distributable reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 August 2022	59	115	14,595	(1)	3,650	25,232	43,650
Profit for the period	–	–	–	–	–	4,295	4,295
Share-based payments current tax	–	–	–	–	–	(2)	(2)
Share-based payments deferred tax	–	–	–	–	–	(426)	(426)
Shares withheld to settle tax obligations	–	–	–	–	–	(216)	(216)
EBT shares issued	–	–	–	1	–	584	585
Shares issued to the EBT	–	–	–	(1)	–	(246)	(247)
Premium on shares in lieu of bonuses	–	–	–	–	–	106	106
Dividends paid	–	–	–	–	–	(3,609)	(3,609)
Balance at 31 August 2023	59	115	14,595	(1)	3,650	25,718	44,136
Loss for the period	–	–	–	–	–	(2,056)	(2,056)
Share-based payments deferred tax	–	–	–	–	–	(9)	(9)
EBT shares issued	–	–	–	–	–	22	22
Share-based payments	–	–	–	–	–	158	158
Shares withheld to settle tax obligations	–	–	–	–	–	(106)	(106)
Dividends paid	–	–	–	–	–	(3,870)	(3,870)
Balance at 31 August 2024	59	115	14,595	(1)	3,650	19,857	38,275

The accompanying notes on pages 135 to 139 form part of these financial statements

Notes to the Company Accounts

For the year ended 31 August 2024

1

Authorisation of financial statements and statement of compliance with FRS 101

The Parent Company financial statements of Focusrite plc for the year ended 31 August 2024 were authorised for issue by the Board of Directors on 27 November 2024 and the balance sheet was signed on the Board’s behalf by Sally McKone, Chief Financial Officer.

Focusrite plc is a public limited company incorporated and domiciled in England and Wales. The Company’s ordinary shares are traded on AIM. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (‘FRS 101’). The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 August 2024.

No profit and loss account is presented by the Company as permitted by section 408 of the Companies Act 2006. The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Parent Company’s loss for the year was £2,057,000 (FY23: Profit £4,295,000).

2

Basis of preparation and summary of significant accounting policies

Basis of preparation

These financial statements were prepared in accordance with FRS101.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards (“Adopted IFRSs”), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken: a cash flow statement and related notes;

- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- disclosures required under IFRS 2 in relation to share-based payments;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of key management personnel.

Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment. This is detailed in more depth in the Group accounting policies note 3.

Cash

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand, and short-term deposits with an original maturity of three months or less.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the financial statements, with the following exception: deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. The carrying amount of deferred income tax assets is reviewed at each balance sheet date.

Deferred income tax assets and liabilities are offset only if a legally enforced right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise, income tax is recognised in the income statement.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group’s obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Equity-settled share-based payments

The Company issues equity-settled payments to certain employees (including Directors). All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees’ services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

Notes to the Company Accounts continued

For the year ended 31 August 2024

2 Basis of preparation and summary of significant accounting policies continued

Share options are valued at the date of grant using the Black-Scholes option pricing model for options with non-market vesting conditions attached and a simulation model for options with market vesting conditions attached, and are charged to operating profit over the vesting period of the award with a corresponding credit to the ‘Other reserves’.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium account.

The share option charge related to the grant by the Company of options over its equity instruments to the employees of subsidiary undertakings is subsequently recharged to the relevant employing subsidiary.

3 Directors’ remuneration

Directors’ emoluments

	2024 £’000	2023 £’000
Salaries, bonuses and other employee benefits	1,180	1,398
Social security costs	199	247
Pension costs	17	17
	1,396	1,662

Aggregate emoluments of the highest-paid Director	457	625
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During the year, retirement benefits were accruing to two Directors (FY23: two Directors) in respect of employer’s contributions to pensions which were taken as cash. The highest paid Director received remuneration (excluding the value of vested share options) of £457,000 (2023: £625,000). Details of the share options and long term incentive plans for the directors can be found on page 83 of the Annual Report.

The value of the Company’s contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £nil (FY23: £nil) and £10,000 (FY23: £10,000) was paid as cash in lieu of pension. During the year, no share options were exercised by Directors (FY23: 35,263) resulting in no gain (FY23: gain of £283,867).

As stated within the Director Remuneration report on page 76, the Directors’ remuneration for the year was as follows:

		Salary/fees £’000	Other taxable benefits £’000	Annual bonus £’000	Pension contribution £’000	Total £’000
Executive Directors						
Tim Carroll ¹	FY23	380	3	232	10	625
	FY24	389	2	56	10	457
Sally McKone ²	FY23	270	1	205	7	483
	FY24	277	2	72	7	358
Non-executive Directors						
Phil Dudderidge ³	FY23	192	5	–	–	197
	FY24	198	4	–	–	202
David Bezem ⁴	FY23	57	–	–	–	57
	FY24	60	–	–	–	60
Naomi Climer ⁵	FY23	57	–	–	–	57
	FY24	60	–	–	–	60
Mike Butterworth ⁶	FY23	57	–	–	–	57
	FY24	60	–	–	–	60

1 The bonus for Tim Carroll comprises £45,280 paid in cash (FY23: £155,200), £5,300 taken as shares (FY23: £38,600) and £5,300 in the form of matching shares (FY23: £38,600).

The pension contribution was taken as additional income net of the appropriate percentage of income tax and Employer’s National Insurance which would not otherwise have fallen due.

2 The bonus for Sally McKone comprises £nil (FY23: £70,200) paid in cash, £36,000 taken as shares (FY23: £67,500) and £36,000 in the form of matching shares (FY23: £67,500).

3 The remuneration for Phil Dudderidge comprises a Chairman’s fee/salary of £198,000 (FY23: £192,000).

4 The remuneration for David Bezem comprises a basic fee of £49,350 per annum for his role as Non-executive Director of the Group and an additional £10,500 per annum for his role as Senior Independent Director.

5 The remuneration for Naomi Climer comprises a basic fee of £49,350 per annum for her role as Non-executive Director of the Group and an additional £10,500 per annum for her role as Chair of the Remuneration Committee.

6 The remuneration for Mike Butterworth comprises a basic fee of £49,350 per annum for his role as Non-executive Director of the Group and an additional £10,500 per annum for his role as Chair of the Audit Committee.

4 Staff costs

Staff costs, including Directors’ remuneration, were as follows:

	2024 £’000	2023 £’000
Wages and salaries	2,383	3,500
Social security costs	328	517
Other pension costs	30	41
	2,741	4,058

The average monthly number of employees, including the Directors, during the year was as follows:

	2024 Number	2023 Number
Management and administration	19	18

5 Dividends

The following equity dividends have been paid or proposed:

	2024	2023
Total dividend per qualifying ordinary share	6.6p	6.6p

During the year, the Company paid an interim dividend in respect of the year ended 31 August 2024 of 2.1 pence per share (FY23: 2.1 pence per share).

On 25 November 2024, the Directors proposed a final dividend of 4.5 pence per share (FY23: 4.5 pence per share), making a total of 6.6 pence per share for the year (FY23: 6.6 pence per share).

6 Investments in subsidiaries

Name	Country of registration or incorporation	Principal activity	Class of shares	2024 %	2023 %
Focusrite Audio Engineering Limited (‘FAEL’)	England and Wales	Manufacture and distribution	Ordinary	100	100
Focusrite Group EMEA Ltd	England and Wales	Wholesale of other machinery and equipment	Ordinary	100	100
Focusrite Group USA ⁴	USA	Marketing services	Ordinary	100	100
Focusrite Novation Asia Limited ¹	Hong Kong	Marketing services	Ordinary	100	100
Focusrite Australia PTY Limited ¹	Australia	Marketing services	Ordinary	100	100
Pro Audio Beteiligungs GmbH	Germany	Holding company	Ordinary	100	100
ADAM Audio GmbH ²	Germany	Manufacture and distribution	Ordinary	100	100
Dongguan ADAM Audio Business Service Co., Limited ²	China	Operational services	Ordinary	100	100
Optimal Audio Group Limited	England and Wales	Manufacture and distribution	Ordinary	100	100
Martin Audio Limited ³	England and Wales	Manufacture and distribution	Ordinary	100	100
Linea Research Holdings Ltd ³	England and Wales	Activities of other holding companies	Ordinary	100	100
Linea Research Limited ³	England and Wales	Other engineering activities	Ordinary	100	100
Herts & Beds Electronic Services Limited ³	England and Wales	Wholesale of electronic and telecommunications equipment and parts	Ordinary	100	100
Aylesford Court (Letchworth) Management Company Ltd ³	England and Wales	Combined facilities support activities	Ordinary	40	40
Sheriff Technology Limited ³	England and Wales	Manufacture of electronic components	Ordinary	100	–
Innovate Audio Limited ³	England and Wales	Business and domestic software development	Ordinary	100	–
Focusrite Investments Inc	USA	Holding company	Ordinary	100	100
Sequential LLC ⁴	USA	Manufacture and distribution	Ordinary	100	100
Marion Systems LLC ⁴	USA	High-end synth production company	N/A	100	100
Sequential Synths Ltd ⁴	England and Wales	Operational services	Ordinary	100	100
Sonnox Limited	England and Wales	Software development	Ordinary	100	100

1 Owned indirectly through FAEL.

2 Owned indirectly through Pro Audio Beteiligungs GmbH.

3 Owned indirectly through Optimal Audio Group Limited.

4 Owned indirectly through Focusrite Investments Inc.

Notes to the Company Accounts continued

For the year ended 31 August 2024

6 Investments in subsidiaries (continued)

	2024 £'000	2023 £'000
At 1 September	70,154	61,090
Additions	30	9,064
At 31 August	70,184	70,154

7 Intangible assets

	Computer software £'000	Website £'000	Total £'000
Cost			
At 31 August 2023	46	61	107
Additions	–	2	2
At 31 August 2024	46	63	109
Amortisation			
At 31 August 2023	–	–	–
Charge for the year	23	30	53
At 31 August 2024	23	30	53
Carrying amount			
At 31 August 2024	23	33	56
At 31 August 2023	46	61	107

8 Trade and other receivables

	2024 £'000	2023 £'000
Debtors due in less than one year		
Other debtors	72	441
Prepayments	871	87
Amounts owed by Group undertakings	2,051	–
	2,994	528
Debtors due in more than one year		
Amounts owed by Group undertakings	36,640	34,115

The amounts owed by Group undertakings are repayable on demand. These amounts include loans made to ADAM Audio, Martin Audio, Sequential LLC and Focusrite Investments Inc totalling £36,640,000 (FY23: £34,115,000). These loans have been made on an arm’s length basis and interest is payable at a rate of SONIA +2%.

Of the amounts owed, management do not expect repayment of £36,640,00 (FY23: £34,115,000) within one year, therefore this balance has been classified as due in more than one year.

The Company has not accounted for any expected credit loss within intercompany receivables as this is deemed immaterial.

9 Trade and other payables

	2024 £'000	2023 £'000
Other creditors	2,518	3,862
Amounts due to Group undertakings	34,572	29,921
	37,090	33,783

The amounts owed to Group undertakings are repayable on demand, although no balances are expected to be repaid during the next 12 months.

10 Bank loan

	Less than 1 month £'000	1 to 3 months £'000	3 months to 1 year £'000	1 to 5 years £'000	5+ years £'000	Total £'000
2024						
Non-interest-bearing	–	–	174	362	–	536
RCF	(35,101)	–	–	–	–	(35,101)
	(35,101)	–	174	362	–	(34,565)
2023						
Non-interest-bearing	–	99	–	–	–	99
RCF	(27,192)	–	–	–	–	(27,192)
	(27,192)	99	–	–	–	(27,093)

On 22 September 2023, Focusrite plc renewed and extended a £50 million RCF with HSBC UK and NatWest, for a period of four years. Under this agreement, Focusrite plc may draw down funds on demand, at an interest rate of 1.65%–2.30% + SONIA on utilised funds and 35% of margin on unutilised funds. In September 2024 the RCF was extended for a further year.

The £0.5 million (FY23: £0.1 million) recorded against bank loan and arrangement fee as at 31 August 2024 is the amount paid to arrange the RCF in December 2023. The cost is being written down over the term of the RCF, which is four years.

The Group’s bankers are party to a debenture which provides for security over the whole of the Company’s assets and undertakings. This debenture is in place to support the RCF, provision of forward contracts and a duty deferment facility.

11 Share capital

	2024 Number	2023 Number
Issued and fully paid		
Ordinary shares of £0.001 each	59,211,639	59,211,639

In the financial year, nil shares were issued to the EBT (FY23: 550,000).

	2024 Number	2023 Number
Issued and fully paid		
	59,212	59,212

The Company has one class of ordinary shares which carries no right to fixed income.

12 Merger reserve

	2024 £'000	2023 £'000
At 1 September and 31 August	14,595	14,595

The merger reserve represents the difference between the cost of the investment in FAEL (and its subsidiary, Focusrite Novation Inc.) of £14,647,000 and the nominal value of the ordinary shares issued in exchange of £52,000.

13 EBT reserve

	2024 £'000	2023 £'000
Balance at 1 September and 31 August	(1)	(1)
Shares issued to the EBT	–	(1)
Shares from EBT exercised	–	1
Balance at 31 August	(1)	(1)

14 Post balance sheet events

In September 2024 the Group extended the existing RCF with Natwest and HSBC by one year, the maturity date now being September 2028.

In October 2024 the Board approved a change in the accounting reference date of the Company from 31 August to 28 February. The next reporting period will be for the 18 month period to 28 February 2026.

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