

Registered Number 12356142 (England and Wales)

Audiotonix Holdings Limited
Annual Report and Consolidated Financial Statements
for the year ended 31 March 2022

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AUDIOTONIX HOLDINGS LIMITED
Annual report and consolidated financial statements
31 March 2022

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CORPORATE INFORMATION

Directors	J D Gordon H M Culleton N Beaumont A J Booker S Downing S Epin B Ladriere E Little O Personnaz M Van Cauwenberge B Witcher
Registered Office	Unit 10 Silverglade Business Park Leatherhead Road Chessington Surrey KT9 2QL
Auditor	KPMG LLP 1 Forest Gate Brighton Road Crawley RH11 3PT
Registered number	12356142

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STRATEGIC REPORT

The directors present their strategic report on Audiotonix Holdings Limited ('the group') for the year ended 31 March 2022.

Principal activities

Audiotonix Holdings Limited acts as a holding company for a group of companies whose principal activity is to develop, manufacture and sell equipment for the professional audio industry. Applications of the group's products include broadcast, live events, recording studios, public performances and theatre production.

Review of the business

Trading for the year to 31 March 2022 was impacted by the ongoing impact global Covid-19 pandemic, although with all businesses starting to recover during the year sales and operating profits were higher than those reported for the previous financial period to 31 March 2021.

The group is proud to have supported its staff, customers and suppliers all the way through the pandemic, and is delighted that as the year progressed the world has been able to return to enjoying arts and live events as well as the continued creation of more music at home. The return of live audio events during the year led to increases in new orders and sales across the group, especially during the second half of the year, whilst new orders and sales by those parts of the group serving audio creation, DJ and studio markets continued to show growth.

Having made the strategic decision to continue and maintain existing investment in Research and Development projects at the height of the Covid-19 pandemic, it was pleasing to be able to respond and support our customers as the global economy and the demand for live music started to recover. In particular, during the year the group continued to develop further new and innovative ranges of products, with the goal of widening both its product offering and the breadth of its customer base. Group companies launched new products into their respective market places and work has continued on developing further new products to be launched in the future.

During the year the group continued the ongoing process of implementing common operational practices across trading companies, in particular in the areas of research and development, supplier negotiations, systems and marketing. The group continued to invest in the roll-out of a new ERP system across the business, with two further trading subsidiaries going live during the year. The goal remains to bring a harmonisation in best practices and a range of efficiencies in years to come.

The group successfully concluded the acquisition of Sound Devices LLC and its subsidiaries on 1 November 2021. Sound Devices is headquartered in Reedsburg, Wisconsin and is a leading designer and manufacture of audio recorders and field production mixers used by the film and TV industries. Sound Devices teams are already working closely on plans with other Audiotonix companies to further widen and expand their product offering and customer base in the future.

Total group sales for the year were £169.7m (period ended 31 March 2021: £114.9m). The gross profit of £90.0m was delivered at a margin of 53.1%, (which was higher than the level reported for the period ended 31 March 2021 of £60.5m, at a margin of 52.6%). During the year the group had to navigate the impact of increased component costs and shortages in other areas, and managed to maintain production levels despite these challenges. The group continued to take actions to manage controllable areas of administrative expenses whilst maintaining investment in research and development. Intangible asset amortisation includes both the cost of expensing certain development costs capitalised in previous years, consistent with the previous financial period, as well as the amortisation of intangible assets that were identified through business combinations. The change in the GBP:USD exchange rate between the 31st March 2021 and 31st March 2022 led to a loss on translation of USD denominated bank loans of £16.2m (previous financial year – gain of £43.4m). Preference share dividends of £61.3m (year ended 31 March 2021: £57.0m) were accrued in the year, whilst bank interest of £20.2m (2021: £23.6m) was incurred. The carrying value of goodwill that had arisen upon the acquisition of Audiotonix Group Limited was reviewed as at the 31 March 2022, as is required by the technical requirements of IAS 36. No impairment has been identified. For the previous financial year ended 31 March 2021, the equivalent review led to a non-cash impairment charge of £208m.

The group has six core product brands (Allen & Heath, Calrec, DiGiCo, KLANG:technologies, Solid State Logic and Sound Devices) with market leading positions in the design, manufacture and sale of audio mixing consoles or sound recording consoles and associated products. Around 90% of the group's products are exported to over 85 countries and territories worldwide primarily by using a network of distribution partners. The sustained investment in our research and development teams has helped the group ensure it has one of the largest number of research and development engineers focused on audio mixing and related technology and products. The group increased the size of the research and development team during the year ended 31 March 2022 and plans to do so again during the 2022/23 financial year. This is in order to continue to support the launch of new products in both existing and new segments of the audio market, as well as to develop and enhance existing ranges of consoles and related products.

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STRATEGIC REPORT (continued)

A core competency of the group is to offer resilient technical support services, and this has remained the strategy during the year under review. The group continues to believe these services help maintain market leading positions in an industry where products are used in very demanding environments. Our engineers provide a responsive and efficient service that continues to be recognised throughout the industry. The group has continued to invest in these activities and related customer care as it remains a core service that helps support ongoing and sustainable success.

Key performance indicators

The group monitors several financial and operational Key Performance Indicators ("KPIs") as part of the ongoing management of the business. The source of this information is the consolidated statement of profit and loss. These include:

	2022	2021	Change	Change
	£'000	£'000	£'000	%
Revenue	169,672	114,876	+ 54,796	+ 47.7%
Gross Profit	90,033	60,465	+ 29,568	+ 48.9%
Gross Profit as a % of revenue	53.1%	52.6%		

In monitoring the performance of the business and assessing risks, other key financial and non-financial performance indicators are: the development of audio mixing products and technologies which lead the market and are produced to a planned timetable; volume and mix of sales; the margin achieved on these sales (in total and by product); the conversion of sales into profit and cash; working capital management through monitoring of working capital requirements against forecasts; and ultimately net cash generation.

Future developments

As discussed in the review of the business, the group will continue during 2022/23 to invest in research and development of new products and technologies as well as enhancing and further developing its existing range of mixing consoles and related products. Gross expenditure on research and development will increase from the year ending 31 March 2022 and is budgeted to be in excess of £15m in the year ending 31 March 2023, including expenditure incurred by Sound Devices, and it is anticipated continue to increase in future years as the business further invests in new product development.

The group will continue to selectively explore further acquisition opportunities in related markets. Acquisitions are reviewed on a case by case basis and if an acquisition presents an opportunity to enhance the group it will be considered.

Covid-19

The Covid-19 virus led to many challenges and difficulties worldwide from early 2020 onwards, resulting in many businesses suffering from a reduction in revenue. This included many, but not all of the pro-audio markets served by the group. During the year ended 31 March 2022, restrictions were progressively eased in many of the key markets served by the group and public events, including live music and broadcasting with live audiences, started to resume. The directors have prepared forecasts, including cash flow projections for a twelve month period from the date these financial statements are prepared. The forecast considers actual trading results for the period since the balance sheet date, which, to date, is ahead of budgeted levels. These forecast projections have been considered by the directors, and consequently the directors consider that at the twelve month period the group will continue to be cash generative cash, and will have adequate funding to meet liabilities as they become due.

The view of the board is that a significant deterioration in current trading performance could lead to a 25% reduction in cash balances compared to the current forecast. As was demonstrated during the year ended 31 March 2021, the group has the ability to quickly and effectively implement cost saving initiatives to manage controllable overheads should they be required. At this level of deterioration in performance the group still forecasts to generate cash over the twelve month period.

To date the group has experienced an increase in sales in most product areas compared to last year, demonstrating its resilience in recovering from Covid19, which is derived from designing, developing, manufacturing, and selling a diversified portfolio of audio products.

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STRATEGIC REPORT (continued)

Audiotonix Holdings Limited has available banking facilities to meet its financial requirements for 12 months from the date of signing these financial statements. The group as a whole has extensive financial resources from the diversified income streams, sales in over 85 countries worldwide supported from a well-established network of distributors and has the benefit of sharing expertise amongst fellow subsidiary undertakings of the group. These factors, combined with the results achieved against forecasts since April 2022, give the directors confidence that the group has sufficient funding to continue to meet liabilities that fall due for a period of at least 12 months from the approval of these financial statements, and as such they have been prepared on a going concern basis.

Financial risk management objectives and policies

The group's financial instruments at the balance sheet date comprised cash, bank loans, revolving credit facilities ("RCF") and liquid resources. The main purpose of these financial instruments is to provide working capital for the group's operations. The group has various other financial instruments such as trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the group's financial instruments are credit risk, liquidity risk, currency risk and interest rate risk. The directors review and agree policies for managing each of these risks, which are summarised below.

Credit risk

The group's principal financial assets are cash and trade debtors.

The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from the group's trade debtors.

In order to manage credit risk, the directors set credit limits for customers, based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. Where applicable, credit limits are reviewed on a group basis.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available within the group to meet foreseeable needs and to invest cash assets safely and profitably.

The group has strong cash balances and was able to meet its working capital requirements throughout the year under review.

Subsequent to the year end, on the 22 September 2022, the group refinanced its funding loans. The existing first and second lien loans were repaid in full. These have been replaced by a loan Term B facility with other lenders and an incremental ACF (acquisition) facility, which is intended to support the group making acquisitions. An existing RCF facility has been replaced by a new RCF facility of the same value provided by two of the three existing providers of the RCF facility from the same date.

Currency risk

The group is exposed to translation and transaction foreign exchange risk as the group has a global customer base, sales are denominated in various currencies and significant direct purchases are denominated in foreign currencies, while overhead costs are primarily in Sterling.

The group does not use foreign currency hedging or similar instruments, however, the sales and purchase ledgers which are denominated in foreign currencies are reviewed regularly to ensure foreign exchange exposure remains in line with management's expectations. Where both sales and purchase invoices are denominated in the same currency, the group's policy is to try to match the timing of the settling of the sales and purchase invoices so as to mitigate, as far as possible, currency exposures.

Recognising that a significant portion of group earnings are generated in US dollars, the group denominates bank borrowings in US dollars.

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STRATEGIC REPORT (continued)

Interest rate risk

There is no interest rate risk associated with the preference shares as they are fixed at 11% and the dividends are rolled up until redemption. The bank loans bear cash interest at LIBOR plus 4.5% per annum and 8.5% per annum, depending on the loan.

The group also had a £50m RCF facility (bearing interest at LIBOR plus 2.7% (GBP) or 3.4% (USD), in a mix of GBP and USD. This facility was not used during the year ended 31 March 2022.

Financial assets

The company has no financial assets other than short-term debtors and cash at bank.

Market Value of Land and Buildings

In the opinion of the directors, the market value of the land and buildings is in line with or exceeds the book values of the assets included in the financial statements.

Principal risks and uncertainties

Like all businesses, the group faces a number of risks and challenges, and many of these risks are not fundamentally different from those faced by the group in previous years, although the impact of Covid-19 had a significant bearing on the risks faced by the group, as discussed above. Notwithstanding this, the directors take comfort from the extensive skills and track record of the wider leadership team in managing and mitigating these risks, so far as practical, whilst also maintaining or enhancing the performance of the group. The directors have set out below, the principle risks facing the business.

The directors are of the opinion that a thorough risk management process has been adopted which involves formal review of all the risks identified below. Where possible, processes are in place to monitor and mitigate such risks.

Competition

The group designs, manufactures and sells professional audio mixing consoles and associated products. Our products sell in a competitive environment where our brands look to differentiate their products through features and design. As described above, the group continues to invest extensively in product research and development to ensure that it maintains its established position in the market and remains at the forefront of advances in audio mixing and related technologies.

Wages and salaries, overheads and variable revenues

Wages and salaries represent a large proportion of the group's expenditure and are fixed in the short to medium term, while revenues are variable. There is the risk that any significant changes in revenues will impact on profit margins in the shorter term. There is also a risk from inflationary pressures on wages and salary costs, especially in locations of for job specialisms where there is greater difficulty recruiting and retaining key staff.

Supply Chain

The management of supply chain risk commences with component selection - the design team works with the purchasing department and component manufacturers to ensure any newly selected component is from a reputable source and the road map for the components life cycle is fully understood, ensuring raw material supply is robust. In addition, second sourcing of components will be considered during the development of a new product, again minimising risk. Like many manufacturers, the group is exposed to the risk of volatility in global prices of specialist electronic commodities. For some products the group plans orders many months ahead and secures components in advance of being required for manufacturing to mitigate the risk of interruptions to supply.

Audiotonix has the benefit of both in-house production facilities in the UK and off shore manufacturing partners operating from a number of factories in overseas territories. These relationships have been nurtured over more than twenty years, leading to an extremely reliable supply chain for the group's products.

Management continues to monitor fixed overheads against budget and cost saving measures can be implemented should revenues prove to be lower than forecast.

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STRATEGIC REPORT (continued)

Compliance

The group is required to comply with many increasingly complex laws, regulations and other standards. During the year the Directors continued to monitor processes previously implemented to comply with GDPR laws, sanctioned country monitoring, supplier payment practices and gender pay gap reporting. Towards the end of the year procedures were reviewed to ensure compliance with regulations implemented as a result of the invasion of Ukraine by Russia. Also during the year, mandatory training programmes were again undertaken across the group for all employees other than those engaged solely in manufacturing. The group has agreed Environmental, Social and Governance processes which continue to be reviewed against annual targets.

S172 Statement

Under Section 172(1) of the Companies Act 2006, a director of a company must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequence of any decision in the long-term
- the interests of employees
- the need to foster the company's business relationships with suppliers, customers and others
- the impact of operations on the community and the environment
- the desirability of the company maintaining a reputation for high standards of business conduct
- the need to act fairly as between members.

The following disclosure describes how the Directors have had regard to the matters set out in Section 172(1)(a) to (f) and forms the Directors' statement under section 414CZA of The Companies Act 2006.

The Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in section 172(1)(a-f) of the Companies Act 2006) in the decisions taken during the year ended 31 March 2022. We set out below how we have considered these matters in our decision making:

- *The Long term* – The board is mindful of the long term and the consequence of any decision on this time frame. We have evolved our strategy since inception, continuing to invest in research and development of new products and technologies for the enhancement of its principal and future activities, with the aim of continuing to be a market leader in the main markets we serve. The Board continues to explore new markets and looks to mitigate the impact of uncertainties since leaving the European Union and uncertainties caused by Covid-19.
- *Employees* - The commitment of our employees to our purpose and success is key to the performance of the group. The directors and senior management strive to provide an entrepreneurial culture for our employees, whilst encouraging the ethical pursuit of opportunities to expand product offerings. We engage with our workforce via team meetings, updates from the directors and other than when impacted by local or regional travel restrictions, regular visits by the directors and senior leadership team to all group sites. This helps to ensure that we are fostering an environment that employees are happy to work in and that best supports their well-being. Employees are supported to learn and are offered opportunities for training.
- *Business Relationships* – The board is committed to fostering productive business relationships. The group is a customer facing and customer focused organisation, seeking to deliver an excellent experience to all businesses and individuals we interact with. We continuously engage with our customers in a multitude of ways and seek independent third-party feedback to understand our customers' needs and deliver an excellent service. This feedback also informs our decisions on product development.
- *Community and environment* – We are mindful of the communities in which our customers and employees live, as well as external factors and events, such as Covid-19 that can adversely impact these communities. Considering such events and other challenges within our communities informs our charitable giving. Our charitable giving throughout the year and in the future is primarily in support of these communities. We are aware of our carbon footprint and the impact our business has on the environment in manufacturing and delivering our products. We monitor our carbon emissions and have established targets to increase the proportion of energy sourced from renewal sources. During the year ended 31 March 2022, solar power facilities have started to be installed at company premises, and we

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STRATEGIC REPORT (continued)

will look to increase the number of locations with such equipment in future. We continue to develop energy efficient products and we encourage environmentally friendly office practices, and essential-only travel.

- *High standards of business conduct* – Responsibility for setting the values and standards of the group sits with the board and it expects the highest standards of business conduct. We strive to maintain high standards of probity, integrity and transparency in the operation of our employees and representatives whilst interacting with customers. All suppliers are expected to adhere to our supplier code of conduct, with periodic on-site inspections undertaken by Audiotonix employees when not restricted by Covid-19 or similar travel restrictions. All management and key externally facing employees receive anti-bribery and corruption training, as well as training on sanctions rules.
- *Shareholders* – We work to act fairly between the needs of all stakeholders, including shareholders and investors. We seek to obtain investor support of our strategic objectives and also the methods by which we go about executing them. This is in order to create long-term value for our shareholders that generates sustainable results that translate into enhanced shareholder value. The Chief Executive Officer maintains regular contact with investors and provides regular opportunities to question the board.

By order of the board



A J Booker

16th

Date: December 2022

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DIRECTORS' REPORT

The directors present their report and the audited financial statements of the group for the year 31 March 2022.

Directors

The directors who have held office during year and up to the date of signature of the financial statements were:

J D Gordon	
H M Culleton	
J Barton	resigned 26 November 2021
N Beaumont	
A J Booker	appointed 30 September 2021
S Downing	
S Epin	
B Ladiere	
E Little	
O Personnaz	
M Van Cauwenberge	
B Witcher	

Dividends

The directors do not recommend the payment of a dividend (2021: £nil).

Strategic Report

The company has chosen, in accordance with section 414C of the Companies Act 2006, to set out in the Strategic Report the following information which would otherwise be required to appear in the Directors' Report:

- Review of business including future developments
- Financial risk management objectives
- Indication of exposure to liquidity risk, cash flow risk, foreign currency risk and interest rate risk.

Qualifying third-party indemnity provisions

Throughout the year, a qualifying third-party indemnity provision for the benefit of the directors was in force.

Research and development

The group has a policy of investing in research and development of new products. In the year to 31 March 2022, in line with our accounting policy, subsidiary companies of the group capitalised eligible R&D costs and started amortisation of capitalised costs incurred in the previous year.

Employees

The group employed an average of 568 people in the financial year (period ended 31 March 2021: 522 people). Through its diversity policy, the group seeks to ensure that every employee, without exception, is treated equally and fairly and that all employees are aware of their responsibilities.

It is the group's policy to ensure continued employment, where possible, to employees who become temporarily or permanently disabled and to provide training, career development and promotion to disabled employees wherever appropriate.

The group is responsive to the needs of its employees. To satisfy that need, consultative procedures enable management and other employees to discuss matters of mutual interest, including health and safety. Through these procedures, departmental channels and the publication of financial economic information, employees are kept informed about the group's affairs.

Further information on consultation with employees is disclosed in the section 172 statement presented in the Strategic Report.

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DIRECTORS' REPORT (continued)

Business relationships

The impact of business relationships with suppliers and customers on the decisions of the group is considered within the s172 statement of the Strategic Report.

Streamlined Energy & Carbon Reporting (SECR)

Under the Companies (Director's Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, we are mandated to disclose our UK Energy use and associated greenhouse gas (GHG) emissions. Specifically, and as a minimum we are required to report those GHG emissions relating to natural gas, electricity and transport fuel, as well as an intensity ratio, under the Streamlined Energy & Carbon Reporting (SECR) Regulations.

To ensure we achieve the transparency required, and deliver effective emissions management, we must implement and utilise accepted methods. Accordingly, whilst the Regulations provide no prescribed methodology, we collate our GHG data annually, and completed carbon footprint calculation is used as a KPI within the business and by our stakeholders.

The year covered for the purposes of the Streamlined Energy & Carbon Reporting section is 1st April 2021 to 31st March 2022 with the calculations for the following scope:

- Buildings-related energy – natural gas (Scope 1) and electricity (Scope 2); and
- Employee-owned vehicles (grey fleet) (Scope 3).

Audiotonix Holdings Limited has assessed GHG emissions in accordance with reporting the Defra's 'Environmental reporting guidelines: including Streamlined Energy & Carbon Reporting requirements' and uses the 2019 emission conversion factors developed by Defra and BEIS.

Consumption was determined by using invoices from energy suppliers to each group location, estimated fuel usage from group vehicles and by staff claiming mileage allowances when using their own vehicles on group business.

Results

The table below shows Audiotonix GHG emissions during the reporting year ended 31 March 2022, with comparative information shown for the year ending 31 March 2021:

Element	2020/21 (tCO ₂ e)	2021/22 (tCO ₂ e)
Direct emissions (Scope 1) - natural gas and company car fuel	210.3	196.2
Indirect emissions (Scope 2) - from purchased electricity	246.7	282.5
Other indirect emissions (Scope 3) - grey fleet travel	0.2	0.2
Gross Total Emissions	457.2	478.9
Carbon neutral natural gas and renewable electricity purchased	270.9	384.8
Net Total Emissions	186.3	94.1
Intensity metric (Net Emissions): Tonnes of CO ₂ e per employee	0.4	0.2
Intensity metric (Net Emissions): Tonnes of CO ₂ e per £M of revenue	1.1	0.8

UK Energy Use	Unit	2020/21	2021/22
Electricity & Gas	kWh	1,986,000	2,060,694
Fuel used on business use	Litres	18,123	22,188

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DIRECTORS' REPORT (continued)

Streamlined Energy & Carbon Reporting (SECR) (continued)

Energy Efficiency

With the ongoing impact of the Covid-19 pandemic during the year, occupation of group buildings and therefore energy usage was lower than in historical periods, nonetheless the recovery in demand for group products, especially during the second half of the year meant an increase in overall emissions.

The strategy of purchasing carbon neutral natural gas and renewable electricity started in 2019/20 (by Audiotonix Group Limited) with 37.5% of energy provided by green sources, this increased to 59.3% in 2020/21; in the year under review carbon neutral energy increased to 79.9%. The goal of the group is to be 100% carbon neutral on energy purchased by the end of 2023. The group is also making substantial investments in generating clean energy with the installation of solar panels at company locations in Cornwall and Scotland.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



A J Booker


Date: December 2022

Unit 10
Silverglade Business Park
Leatherhead Road
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Surrey
KT9 2QL

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' 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 that law they have elected to prepare both the group and the parent company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the group's profit or loss for that year. 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;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUDIOTONIX HOLDINGS LIMITED

Opinion

We have audited the financial statements of Audiotonix Holdings Limited ("the Company") for the year ended 31 March 2022 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated and Company Statement of Cash Flows and 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 March 2022 and of the Group's loss 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 and as applied in accordance with the provisions of the Companies Act 2006; 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. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

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 or the Company's ability to continue as a going concern for the going concern period.

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.

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 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 minutes.
- Considering remuneration incentive schemes and performance targets for management.
- 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.

As required by auditing standards, and taking into account possible pressures to meet profit targets, 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 management may be in a position to make inappropriate accounting entries;
- the risk that revenue from the sale of goods is overstated through recording in the wrong period
- the risk of bias in accounting estimates and judgements such as the capitalization of development costs, goodwill impairment and acquisition accounting.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on high risk criteria and comparing the identified entries to supporting documentation. These included unusual combinations with revenue and cash accounts, and material post close adjustments.
- Assessing whether revenue from sale of goods transactions either side of the balance sheet date are recorded in the correct period by vouching a sample of transactions to supporting documentation to ensure the revenue recognition criteria was met for revenue transaction recognized in each period.
- Assessing whether post year end credit noted have been accounted for in the correct period.
- Assessing whether the judgements made are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-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, through discussion with the directors and other management (as required by the 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.

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 and 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, employment laws and certain aspects of company legislation recognising the financial nature of the Company's activities and its legal form. 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.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 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.

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.

Directors' responsibilities

As explained more fully in their statement set out on page, the directors are responsible for: the preparation of the financial statements and for 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.

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.

Tim Rush (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 3PT

19 December 2022

AUDIOTONIX HOLDINGS LIMITED
Annual report and consolidated financial statements

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2022

	Note	2022 £000	9 December 2019 to 31 March 2021 £000
Revenue	5	169,672	114,876
Cost of sales		(79,639)	(54,411)
Gross profit		90,033	60,465
Other income	6	1,865	4,523
Impairment loss on goodwill	13	-	(207,955)
Administrative expenses (excluding amortisation and non-recurring expenses)		(33,904)	(41,237)
Amortisation of intangible assets	13	(32,852)	(31,807)
Non-recurring expenses – acquisition costs		-	(7,112)
Administrative Expenses		(66,756)	(80,156)
Operating Profit		25,142	(223,123)
Finance income	10	42	43,562
Finance expense	11	(98,650)	(82,861)
Net finance expense		(98,608)	(39,299)
Loss before taxation		(73,466)	(262,422)
Income tax (expense) / credit	12	(15,338)	8,964
Loss for the financial year		(88,804)	(253,458)

The consolidated income statement has been prepared on the basis that all operations are continuing operations.

The accompanying notes form an integral part of these financial statements

AUDIOTONIX HOLDINGS LIMITED
Annual report and consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2022

	2022 £000	9 December 2019 to 31 March 2021 £000
Loss for the financial year	(88,804)	(253,458)
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently recycled to the income statement		
Transaction bonus	-	7,484
Other movements	686	(660)
Currency translation differences on foreign currency net investments	228	302
Other comprehensive income for the financial year	914	7,126
Total comprehensive expense for the financial year	(87,890)	(246,332)

Prior year other comprehensive income includes recognition of an exceptional transaction bonus paid to the company's employees by Audiotonix Group Ltd, this was recognised as an investment in trading subsidiaries.

The accompanying notes form an integral part of these financial statements

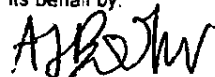
AUDIOTONIX HOLDINGS LIMITED
Annual report and consolidated financial statements

CONSOLIDATED BALANCE SHEET

As at 31 March 2022

	Note	31 March 2022 £000	31 March 2021 £000
Assets			
Non-current assets			
Intangible assets	13	644,759	674,579
Property, plant and equipment	14	6,098	4,831
Right-of-use assets	15	7,824	8,263
Deferred tax asset	22	3,533	10,187
		<u>662,214</u>	<u>697,860</u>
Current assets			
Inventories	17	51,477	28,460
Trade and other receivables	18	55,103	27,532
Current tax receivables		3,445	2,803
Cash and cash equivalents		20,587	24,709
		<u>130,612</u>	<u>83,504</u>
Total assets		<u>792,826</u>	<u>781,364</u>
Equity attributable to owners of the parent			
Share capital	23	100	100
Share premium account	23	900	900
Capital contribution reserve	24	0	7,659
Other reserve	24	26	(660)
Merger reserve	24	3	-
Own Shares Reserve	24	(50)	-
Foreign exchange translation reserve	24	530	302
Retained earnings	24	(334,778)	(245,974)
Total equity		<u>(333,269)</u>	<u>(237,673)</u>
Liabilities			
Current liabilities			
Trade and other payables	19	48,436	26,114
Financial liabilities – borrowings	15,20	1,365	686
		<u>49,801</u>	<u>26,800</u>
Non-current liabilities			
Owing to banks and third parties	20	376,126	356,376
Preference Shares	20	614,657	557,843
Lease liabilities	15,20	6,976	7,476
Financial liabilities – borrowings	20	997,659	921,695
Provision for liabilities	21,22	78,835	70,542
		<u>1,076,294</u>	<u>992,237</u>
Total liabilities and equity		<u>792,826</u>	<u>781,364</u>

These financial statements were approved by the board of directors on 16 December 2022 and were signed on its behalf by:



A J Booker
Director

Company registered number: 12356142 (England and Wales)

The accompanying notes form an integral part of these financial statements

AUDIOTONIX HOLDINGS LIMITED
Annual report and consolidated financial statements

COMPANY BALANCE SHEET
As at 31 March 2022

	Note	31 March 2022 £000	31 March 2021 £000
Assets			
Non current assets			
Investments	16	512,546	510,444
		<u>512,546</u>	<u>510,444</u>
Current assets			
Trade and other receivables	18	-	-
		<u>-</u>	<u>-</u>
Total assets		<u>512,546</u>	<u>510,444</u>
Equity attributable to owners of the parent			
Share capital	23	100	100
Share premium account	23	900	900
Capital contribution reserve	24	7,659	7,659
Merger reserve	24	3	-
Retained earnings	24	(118,281)	(56,972)
Shareholders' equity		<u>(109,599)</u>	<u>(48,313)</u>
Liabilities			
Current liabilities			
Trade and other payables	19	914	914
		<u>914</u>	<u>914</u>
Non-current liabilities			
Preference Shares	20	621,231	557,843
		<u>621,231</u>	<u>557,843</u>
Total liabilities and equity		<u>512,546</u>	<u>510,444</u>

These financial statements were approved by the board of directors on 16th December 2022 and were signed on its behalf by:



A J Booker
Director
Company registered number: 12356142 (England and Wales)

The accompanying notes form an integral part of these financial statements

AUDIOTONIX HOLDINGS LIMITED
Annual report and consolidated financial statements
31 March 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

NOTE	Share Capital	Share premium	Retained earnings	Capital contribution	Other reserve	Merger reserve	Own Shares Reserve	Foreign exchange translation reserve	Total attributable to the owners of the company
	£000	£000	£000	£000	£000	£000	£000	£000	£000
23	23	24	24	24	24	24	24	24	
Balance at 9 December 2019	-	-	-	-	-	-	-	-	-
Loss for the year	-	-	(253,458)	-	-	-	-	-	(253,458)
Transaction bonus	-	-	7,484	-	-	-	-	-	7,484
Other movements	-	-	-	-	(660)	-	-	-	(660)
Currency translation differences on foreign exchange in net investments	-	-	-	-	-	-	-	-	-
Total comprehensive income / (expense) for the year	-	-	(245,974)	-	(660)	-	-	302	302
Issue of shares	100	900	-	-	-	-	-	-	1,000
Capital contribution	-	-	-	7,659	-	-	-	-	7,659
Total transactions with owners	100	900	-	7,659	-	-	-	-	8,659
Balance at 31 March 2021	100	900	(245,974)	7,659	(660)	-	-	302	(237,673)
Loss for the year	-	-	(88,804)	-	-	-	-	-	(88,804)
Other movements	-	-	-	-	686	-	-	-	686
Currency translation differences on foreign exchange in net investments	-	-	-	-	-	-	-	228	228
Total comprehensive income / (expense) for the year	-	-	(88,804)	-	686	-	-	228	(87,890)
Transactions with owners	-	-	-	(7,659)	-	3	(50)	-	(7,706)
Balance at 31 March 2022	100	900	(334,778)	-	26	3	(50)	530	(333,269)

The accompanying notes form an integral part of these financial statements

AUDIOTONIX HOLDINGS LIMITED
Annual report and consolidated financial statements
31 March 2022

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2022

	Share Capital £000	Share premium £000	Retained earnings £000	Capital contribution £000	Merger reserve £000	Total attributable to the owners of the company £000
NOTE	23	23	24	24	24	
Balance at 9 December 2019	-	-	-	-	-	-
Loss for the year	-	-	(56,972)	-	-	(56,972)
Total comprehensive income / (expense) for the year	-	-	(56,972)	-	-	(56,972)
Issue of shares	100	900	-	-	-	1,000
Capital contribution	-	-	-	7,659	-	7,659
Total transactions with owners	100	900	-	7,659	-	8,659
Balance at 31 March 2021	100	900	(56,972)	7,659	-	(48,313)
Loss for the year	-	-	(61,289)	-	-	(61,289)
Other movements	-	-	-	-	3	3
Total comprehensive income / (expense) for the year	-	-	(61,289)	-	3	(61,286)
Total transactions with owners	100	900	-	7,659	-	8,659
Balance at 31 March 2022	100	900	(118,261)	7,659	3	(109,599)

The accompanying notes form an integral part of these financial statements

AUDIOTONIX HOLDINGS LIMITED
Annual report and consolidated financial statements
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CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

	2022	9 December 2019 to 31 March 2021
	£000	£000
Cash flows from operating activities		
Loss for the year	(88,804)	(253,458)
Adjustments for:		
Amortisation of intangible assets	32,852	31,807
Impairment of goodwill	0	207,955
Foreign exchange gain on translation of bank loans	16,131	(43,424)
Depreciation of tangible fixed assets	3,334	2,751
Loss on fixed asset disposal	120	27
Bank Loan Interest	20,157	23,576
Preference share dividend payable	60,057	56,972
Amortisation of capitalised debt costs	1,845	1,845
Interest received	(19)	(138)
Interest on right-of-use assets	460	468
R&D Tax Credit	(991)	0
Taxation	15,338	(8,964)
(Increase)/decrease in trade and other receivables	(23,657)	(11,316)
(Increase)/decrease in inventories	(19,596)	759
Increase/(decrease) in trade and other payables	20,984	(5,784)
Increase in provision for liabilities	7	(115)
Cash generated by operations	38,218	2,961
Tax received	(378)	2,342
Net cash inflow from operating activities	37,840	5,303
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	(14,545)	(678,947)
Transaction bonus	0	7,484
Purchase of intangible assets	(7,857)	(7,093)
Finance income	19	138
Purchase of property, plant and equipment	(2,167)	(1,019)
Net cash outflow from investing activities	(24,550)	(679,437)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	0	1,000
Proceeds from capital contribution	0	7,659
Proceeds of bank loans	0	448,645
Repayment of bank loan	0	(236,304)
Proceeds from issue of preference shares	0	500,871
Repayment of finance leases	(1,236)	(1,920)
Interest paid	(17,051)	(20,797)
Net cash (outflow) / inflow from financing activities	(18,287)	699,154
Net (decrease) / increase in cash and cash equivalents	(4,997)	25,020
Foreign exchange translation	189	349
Movement in other reserves	686	(660)
Cash and cash equivalents at beginning of year	24,709	-
Cash and cash equivalents at end of year	20,587	24,709

The company had no cash flows in either the current year or prior year.
The accompanying notes form an integral part of these financial statements

AUDIOTONIX HOLDINGS LIMITED
Annual report and consolidated financial statements
31 March 2022

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

The company is a private company, limited by shares and is registered in England and Wales, its registration number is 12356142. The address of its registered office is Unit 10, Silverglade Business Park, Leatherhead Road, Chessington, Surrey, KT9 2QL.

2 Statement of compliance

The Group company financial statements have been prepared and approved by the directors in accordance with international accounting standards in accordance with UK-adopted international accounting standards ("UK-adopted IFRS").

The Company has elected to prepare its parent company financial statements in accordance with FRS 101. The company loss for the year was £61,289k (2021: loss £56,972k).

2.1 New Standards, Amendments and Interpretations

The Group has adopted the following IFRSs in these financial statements:

Amendments to IFRS 9: Interest Rate Benchmark Reform Phase 2 has been adopted from 1 April 2021. The Phase 2 has been applied retrospectively, however, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the group has no transactions for which the benchmark rate had been replaced with an alternative benchmark as at 31 March 2021, there is no impact on the opening equity balances as a result of retrospective application. The details of the accounting policies are disclosed in note 3(r) and 3(t). See also note 27 for related disclosures about risks.

3 Accounting policies

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

(a) Basis of preparation

These financial statements are prepared on a going concern basis under the historical cost convention and are in accordance with applicable accounting standards.

The financial statements are presented in GBP ('000).

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The company loss for the year was £61,289k, prior year loss was £56,972k.

(b) Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The group meets its day-to-day working capital requirements from the positive cash flows generated by its trading activities from the diversified income streams, sales in over 85 countries worldwide supported from a well-established network of distributors and the benefit of sharing expertise with fellow subsidiary undertakings of the wider Audiotonix group.

Financing was put in place in March 2020 when Audiotonix Group Limited was acquired by Adele UK Bidco Limited. The financing was in the form of 1st and 2nd lien debt with details in note 27 and comprises bank loans totalling £373.1m which were repayable after 18th March 2027. There was also a £50m Revolving Credit Facility ("RCF") which was undrawn throughout the year. These loans, which have subsequently been refinanced (see below), had no banking covenants if less than 40% of the RCF was undrawn.

AUDIOTONIX HOLDINGS LIMITED
Annual report and consolidated financial statements
31 March 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Accounting policies (continued)

(b) Going concern (continued)

The directors have made an assessment of the going concern covering a period of at least twelve months from the date of approval of these financial statements. In doing so they have considered cash flow forecasts prepared for the period up to 31 March 2024.

The base forecast reflects management's approved budgets for the year ending 31 March 2023 updated for current trading as well as forecasts to 31 March 2024 using historical growth trajectories and expected costs. The directors have also considered a severe but plausible downside scenario which has a reduction in growth, an increase in direct material costs, an increase in salary costs above those budgeted, as well as further increases in interest rates. The combined effect of this is to reduce EBITDA by 17% compared to the base case. Under this downside scenario the group remains cash generative.

As disclosed in note 29 the Group refinanced its debt on 22nd September 2022 and secured a new \$495m debt facility which replaced its existing facility, a new \$55m Acquisition facility and a renewal of its existing £50m RCF facility. On the 12th September 2022 the group signed an acquisition agreement to purchase the Slate Digital group comprising Slate Digital LLC, Slate Digital France S.A.S. and Eiosis LLC as disclosed in note 29, which completed on 30th September 2022. As at the date of approval of the financial statements all facilities were drawn other than £30m of the RCF facility. The Going Concern assessment prepared by management was based on the new secured facilities, the covenants attached to these facilities and took into account the impact of the acquisition.

Under both the base case and the severe but plausible downside scenario, taking into account the refinancing mentioned above, the forecasts indicate that the group and company will have sufficient liquidity to continue to settle its liabilities as they fall due and be in compliance with its banking covenants for a period of at least 12 months from the date of approval of the financial statements.

Consequently, the Directors believe it is appropriate to continue to prepare the financial statements on a going concern basis.

(c) Basis of consolidation

The group financial statements consolidate the financial statements of Audiotonix Holdings Limited and all its subsidiary undertakings drawn up to 31 March 2022.

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries acquired during the year are consolidated using the acquisition method. Their results are incorporated from the date that control passes.

The group has an established Employee Benefit Trust ("EBT") of which is a subsidiary is the sponsoring entity. Notwithstanding the legal duties of the independent trustees, the group considers it has 'de facto' control. The EBT is accordingly accounted for as if part of the group and included in the consolidated financial statements.

Details of the group's trading subsidiary companies are set out in Note 16. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(d) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method of accounting. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. Costs directly attributable to the business combination have been written off as incurred.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities acquired is recognised as goodwill.

(e) Revenue recognition

The group is in the business of designing, manufacturing and selling audio mixing equipment, accessories, spares and warranty repair and maintenance services. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer for an amount that reflects the consideration appropriate to those goods or services. The group is the principal in these arrangements as it controls the goods or services prior to sale.

AUDIOTONIX HOLDINGS LIMITED
Annual report and consolidated financial statements
31 March 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Accounting policies (continued)

(e) Revenue recognition (continued)

Sale of equipment

Revenue from sale of equipment is recognised at the point in time when control of the asset is transferred to the customer, in accordance with the incoterms. The normal credit term is 30 to 90 days upon delivery.

Where relevant, the group allocates a portion of the transaction price to any additional warranty obligations agreed. Any amounts not used to meet claims are released to profit and loss account as the obligations expire.

Software

Sale of software is recognised at the point in time that the performance obligation is delivered. Revenue for perpetual software licenses is recognised upon delivery of the license.

Volume rebates

The group provides retrospective volume rebates to certain customers once the quantity and value of products purchased during the year exceeds an agreed threshold. Rebates are offsetable only against amounts payable by the customer. The group recognises an immediate refund liability for the expected future rebates, which are treated as a reduction in revenue. Unused rebates are released to profit when it is clear that those rebates will not be earned by the customer.

Financing arrangements

Occasionally the group receives short-term advances or deposits from its customers against contracts. No adjustment is made for the effect of this financing arrangement as delivery of the goods or services is expected to be completed within one year.

(f) Finance income and expense

Finance expense and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset and amortised over the remaining period of the borrowings. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Finance income and expense are recognised in profit or loss as they are accrued, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

(g) Employee benefits / Retirement Benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the year in which the service is received.

The group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the schemes. Once the contributions have been paid the group has no further payment obligations.

(h) Taxation

The taxation expense for the year comprises current and deferred tax recognised in the reporting year. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting years using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised on all temporary differences at the reporting date except for unrelieved tax losses and other deferred tax assets which are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the temporary difference.

AUDIOTONIX HOLDINGS LIMITED
Annual report and consolidated financial statements
31 March 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Accounting policies (continued)

(i) Foreign currency

The company's functional currency is Sterling. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

For each entity, transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated into the presentational currency at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at exchange rates at the dates of transaction. All resulting exchange differences are recognised in other comprehensive income.

(j) Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment.

The group has elected to present grants related to income separately under the heading "Other income".

(k) Intangible assets

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred, other than for certain research and development costs as disclosed below.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

Trade names	20 to 35 years
Technical Know-how	7 years
Development and software costs	3 years

(l) Goodwill

Goodwill acquired on each business combination is capitalised, classified as an asset on the statement of financial position and valued at cost less any necessary provision to reflect the perceived impairment of that goodwill. In determining whether or not an impairment provision is required, the directors take into account a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provision that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

(m) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

Plant and machinery, fixtures and fittings	1 to 7 years
Vehicles	4 years
IT equipment	4 years
Short leasehold improvements	Over the term of the lease
Freehold property	10 or 25 years

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NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Accounting policies (continued)

(n) Impairment of non-financial assets

At each reporting date non-financial assets are reviewed to determine whether there is any indication that the assets may be impaired. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of the asset is the greater of the net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed and an impairment loss is reversed on intangible assets only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. For other assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss is recognised in the current year.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(o) Stocks

Stocks are stated at the lower of cost and selling price less estimated costs to complete and sell. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. For work in progress and finished goods cost is taken as production cost.

(p) Receivables

A trade receivable represents the right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

A contract asset is recognised as a receivable, if the right to consideration in exchange for goods or services delivered to the customer arises before the customer pays, or before payment is due. If the customer has paid in advance, then that advance is recognised as a liability.

(q) Leases

The company applies IFRS 16 Leases. Accordingly leases are all accounted for in the same manner:

- A right of use asset and lease liability is recognised on the statement of financial position, initially measured at the present value of future lease payments;
- Depreciation of right-of-use assets and interest on lease liabilities are recognised in the statement of comprehensive income;
- The total amount of cash paid is recognised in the statement of cash flows, split between payments of principal (within financing activities) and interest (also within financing activities).

The initial measurement of the right of use asset and lease liability takes into account the value of lease incentives such as rent free periods.

The costs of leases of low value items and those with a short term at inception are recognised as incurred.

For leases acquired in a business combination, the Group measures the acquired lease liability at the present value of the remaining lease payments, as if the acquired lease were a new lease at the acquisition

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NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Accounting policies (continued)

(q) Leases (continued)

date. The right-of-use asset is measured at acquisition at the same amount as the lease liability, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

(r) Investments in subsidiaries

Investments in subsidiary companies in the company's financial statements are held at historical cost less accumulated impairment losses.

(s) Financial instruments

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Preference shares

Preference shares are included in the accounts at their issue price. Interest accrues on a compound basis at 11% but is payable only on redemption or exit and has, therefore, been added to the principal debt.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial assets

Financial assets and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

(t) Classification of shares as debt or equity

To be classified as equity, shares must have the right to benefit from all the risks and rewards of the business. Ordinary shares in the company have this right and are treated as equity capital. Preference shares have a fixed right to capital and a pre-determined rate of return and so do not benefit from the relevant risks and rewards of operations – and so are treated as loan capital.

(u) Provisions

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Accounting policies (continued)

(v) Research and development

Expenditure on research related activity is recognised as an expense as incurred. An internally generated intangible asset arising from development of new or enhanced products is recognised only if all of the following requirements are met:

- an asset is created that can be identified (for example related to new processes or as products);
- it is probable that the asset will generate future economic benefits; and
- the product or process is technically and commercially feasible; and
- the Company intends, has the technical ability and sufficient resources, to complete development; and
- the costs of this asset development can be measured reliably.

Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads.

Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses. Where no internally generated intangible asset can be recognised, the expenditure is recognised as an expense in the period as incurred.

Amortisation is charged to write off the cost of the intangible assets less their residual values over its estimated useful life of three years on a straight line basis, starting from the year after capitalisation.

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

4 Significant judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Intangible assets

The group establishes a reliable estimate of the useful life of intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the intangibles are attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Capitalised development costs

The company capitalises certain development costs which are amortised over three years starting from the year after capitalisation. Management consider the nature of development costs incurred with reference to timing of particular projects and the likelihood of the work leading to production of new or improved products, and whether such products are expected to be profitable.

Impairment of debtors

When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

Impairment of goodwill

In determining whether or not an impairment provision is required, the directors take into account a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provision that can limit useful life and assumptions that market participants would consider in respect of similar businesses. In calculating value in use management use estimates for discount rates, long term plan projections and the terminal growth rate.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

4 Significant judgements and estimates (continued)

Acquisition accounting

The group estimates fair value adjustments for assets in acquired businesses, measures intangible assets, with any amount paid that is greater than the fair value of resulting net assets categorised as goodwill. Goodwill is not amortised but subject to annual impairment reviews.

5 Revenue

Revenue arose from the sale of goods and may be analysed geographically between markets as follows:

	Year ended 31 March 2022	Period to 31 March 2021
	£000	£000
UK and Europe	28,223	22,528
North America	103,199	57,249
Other	38,250	35,099
	169,672	114,876

6 Other income

	Year ended 31 March 2022	Period to 31 March 2021
	£000	£000
Government grants (Incl. Job Retention Scheme)	874	3,185
RDEC	991	1,338
	1,865	4,523

The government grant relates to the job retention scheme. There are no unfulfilled conditions or other contingencies attached to these grants. The group did not benefit directly from any other forms of government assistance.

7 Profit before taxation

Profit before taxation is stated after:

	Year ended 31 March 2022	Period to 31 March 2021
	£000	£000
Depreciation of owned fixed assets	1,940	1,473
Depreciation of assets held under finance lease	-	40
Depreciation of rights-of-use assets	1,394	1,238
Amortisation of intangible fixed assets (excluding goodwill)	32,852	31,807
Non-recurring expense – acquisition costs	-	6,508
Impairment loss on goodwill	-	207,955
Research and development expenditure	3,547	3,197
Foreign exchange (gains) / losses	(2,029)	2,165
Operating lease rentals	2	10
<i>Auditor's remuneration</i>		
Audit of these financial statements	52	46
Audit of the financial statements of subsidiaries of the company	204	152
	256	198

Audit fees are disclosed on a consolidated bases, and as such individual company fees are not disclosed.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

8	Staff numbers and costs	Year ended 31 March 2022 £000	Period to 31 March 2021 £000
	Staff costs during the period were as follows:		
	Wages and salaries	24,426	26,873
	Social security costs	2,646	2,987
	Other pension costs	1,254	1,147
		<u>28,326</u>	<u>31,007</u>
	The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:		
		Year ended 31 March 2022 No.	Period to 31 March 2021 No.
	Sales and marketing	72	81
	Research and development	201	184
	Manufacturing	161	139
	Administration, support and service	134	118
		<u>568</u>	<u>522</u>
9	Directors' emoluments	Year ended 31 March 2022 £000	Period to 31 March 2021 £000
	Emoluments	1,279	910
	Defined contribution pension scheme contributions	38	36
		<u>1,317</u>	<u>946</u>
		No.	No.
	Members of money purchase pension schemes	<u>5</u>	<u>4</u>
		Year ended 31 March 2022 £000	Period to 31 March 2021 £000
	The emoluments of the highest paid director are as follows:		
	Emoluments	<u>362</u>	<u>275</u>
	Value of company pension contributions to money purchase schemes	<u>11</u>	<u>16</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

10	Finance income	Year ended 31 March 2022 £000	Period to 31 March 2021 £000
	Bank interest receivable	4	129
	Other interest receivable	38	9
	Foreign exchange gain on translation of bank loan	-	43,424
		42	43,562
11	Finance expense	Year ended 31 March 2022 £000	Period to 31 March 2021 £000
	Accrued preference share dividend	60,057	56,972
	Bank loan interest	20,157	23,571
	Finance lease charges	-	5
	Interest on right-of-use assets	460	468
	Amortisation of capitalised debt costs	1,845	1,845
	Foreign exchange loss on translation of bank loan	16,131	-
		98,650	82,861
12	Income tax expense	Year ended 31 March 2022 £000	Period to 31 March 2021 £000
	Corporation tax:		
	UK corporation Tax	1,109	658
	Overseas Tax	46	-
	Adjustments in respect of prior year	(414)	-
	Total current tax	741	658
	Deferred taxation	(2,919)	(9,619)
	Consolidated Tax Adjustment – FV fixed asset depreciation	-	(3)
	Adjustments in respect of prior year	463	-
	Effect of changes in tax rate	17,053	-
	Total deferred tax	14,597	(9,622)
	Total tax / (tax credit) on results on ordinary activities	15,338	(8,964)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

12 Income tax expense (continued)

Reconciliation of tax charge

Tax assessed for the year is higher than the standard rate of corporation tax in the UK for the year ended 31 March 2022 of 19%. The differences are explained below:

	Year ended 31 March 2022 £000	Period to 31 March 2021 £000
Loss for the financial year	(88,804)	(253,458)
Total tax (credit) / charge	15,338	(8,964)
Loss before tax	(73,466)	(262,422)
Loss multiplied by the standard rate of tax in the UK of 19%	(13,959)	(49,860)
Preference share interest not deductible for tax purposes	11,407	10,825
Goodwill impairment not deductible for tax purposes	-	40,806
Other expenses not deductible for tax purposes	2,210	(9,244)
Income not taxable	(88)	(317)
Tax rate changes	17,053	-
Transfer pricing adjustment	(479)	(929)
Adjustments in respect of prior years	49	-
Effects of overseas tax rates	(641)	-
Group relief	99	-
Amounts acquired on acquisition	-	(376)
Amounts not recognised	-	131
Other	(313)	-
	15,338	(8,964)

In the March 2021 Budget, the UK government announced an increase in the standard rate of corporation tax from the current rate of 19% to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021 and accordingly deferred tax has been recognised at 25%.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Intangible assets	Goodwill £000	Trade names £000	Technical Know how £000	Research & development £000	Software £000	Total £000
Cost						
As at 1 April 2021	535,890	223,044	134,917	19,206	1,284	914,341
Acquisitions through business combination	1,274	3,457	4,526	3,360	-	12,617
Other acquisitions – internally developed	-	-	-	7,701	-	7,701
Other acquisitions – externally purchased	-	65	-	-	156	221
Adjustments	(17,507)					(17,507)
As at 31 March 2022	519,657	226,566	139,443	30,267	1,440	917,373
Amortisation and impairment						
As at 1 April 2021	207,955	6,373	19,274	6,160	-	239,762
Amortisation of intangibles	-	6,452	19,543	6,376	481	32,852
Impairment loss on goodwill	-	-	-	-	-	-
As at 31 March 2022	207,955	12,825	38,817	12,536	481	272,614
Net book value						
As at 31 March 2022	311,702	213,741	100,626	17,731	959	644,759
As at 31 March 2021	327,935	216,671	115,643	13,046	1,284	674,579

Trade names are amortised evenly over the directors' estimate of its useful life of 35 years, technical know-how is amortised evenly over the directors' estimate of its useful life of 7 years and development and software costs are amortised evenly over the directors' estimate of their useful lives of 3 years.

Adjustments to the cost of goodwill have arisen due to the recognition on consolidation of the group in the current year of balance sheet items relating to the AEBT referenced in Note 24 that would have been included in the Audiotonix Group opening balance sheet.

	Goodwill £000	Trade names £000	Technical Know how £000	Research & development £000	Software £000	Total £000
Cost						
As at 9 December 2019	-	-	-	-	-	-
Acquisitions through business combination	535,890	223,044	134,917	12,400	997	907,248
Other acquisitions – internally developed	-	-	-	6,806	-	6,806
Other acquisitions – externally purchased	-	-	-	-	287	287
As at 31 March 2021	535,890	223,044	134,917	19,206	1,284	914,341
Amortisation and impairment						
As at 9 December 2019	-	-	-	-	-	-
Amortisation of intangibles	-	6,373	19,274	6,160	-	31,807
Impairment loss on goodwill	207,955	-	-	-	-	207,955
As at 31 March 2021	207,955	6,373	19,274	6,160	-	239,762
Net book value						
As at 31 March 2021	327,935	216,671	115,643	13,046	1,284	674,579

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NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Intangible assets (continued)

Amortisation and impairment charge

The amortisation and impairment charge is recognised in the following line items in the income statement:

	2022	2021
	£000	£000
Amortisation of intangible assets	32,852	31,807
Impairment charge	-	207,955
	32,852	239,762

Goodwill, which arises when upon acquisition of a business where a greater amount is paid than the fair value of net assets, is not amortised but subject to annual impairment reviews. The aggregate of carrying amount of goodwill is allocated to identify cash generating units or groups of identified cash generating units.

Movement on goodwill	2022	2021
	£000	£000
At start of year	327,935	-
Acquisition of Sound Devices LLC – 1 November 2021	1,274	535,890
Adjustments to goodwill	(17,507)	
Impairment of goodwill	-	(207,955)
At end of year	311,702	327,935

The recoverable amount of each cash generating unit is considered as part of the impairment review as at 31 March 2022 and has been calculated with reference to its respective value in use. The key assumptions of these calculations are shown below:

	2022	2021
Period on which management approved forecasts are based	5 years	5 years
Growth rate applied beyond approved forecast period	1.5%	2.5%
Discount rate range	9.6% to 15.5%	11.3%

The growth rates used for value in use calculation reflect the average growth rate experienced by group companies for their product industry over 10 years, adjusted downwards by between 1% and 2%, depending on company.

Managements approach to each key assumption is as follows:

- Forecast period – based on internal long term planning analysis, including the budget for the first year (year 1) and benchmarked against external reports with information showing long term trends for the key markets served by group companies.
- Growth rate beyond forecast period – in line with long term market growth estimates and GDP.
- Discount rate – this is an independently benchmarked rate and been calculated using the Capital Asset Pricing Model and incorporates risk free rate, equity market risk premium, company size premium, company risk profile and the cost of debt.

The recoverable amount of each cash generating unit has been calculated with reference to its respective value in use. In calculating this value, management have used the following assumptions: a rate of projected growth (from the base year of CGU budgets for the year ending 31 March 2023) over the forecast that differs per CGU, discount rates of between 9.6% and 15.5%, and growth rate beyond the forecast period of 1.5%.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Intangible assets (continued)

The value in use sensitivities were assessed for sensitivity to possible changes to these estimates and whether these would indicate an impairment, or not. The sensitivities included a 1% increase or decrease in long term growth rates, and a 1% increase or decrease in discount rate, as follows:

- If the long growth rate was 1% higher than forecast the impairment charge would have been £nil.
- If the long growth rate was 1% lower than forecast the impairment charge would have been £nil.
- If the discount rate was 1% higher than forecast the impairment charge would have been £nil.
- If the discount rate was 1% lower than forecast the impairment charge would have been £nil.

Acquisition analysis for acquisitions after 1 April 2021

Acquisition of SCI

On 17 June 2021 a subsidiary of the group acquired the trade and assets of SCI, a US based distributor of broadcasting equipment for nominal consideration. The difference between acquisition cost and net book value of assets is recognised as trade names and amortised over 2 years.

Acquisition of Sound Devices LLC

On 1 November 2021 the group entered into a share purchase agreement to acquire the entire share capital of Sound Devices LLC and its subsidiaries. Sound Devices is headquartered in Reedsburg, Wisconsin and is a leading designer and manufacture of audio recorders and field production mixers used by the film and TV industries. The total adjusted consideration paid was £18m.

Sound Devices LLC has been included in the consolidated balance sheet at fair value at the acquisition date.

Sound Devices LLC acquisition analysis:	Book value £000	Revaluation adjustments £000	2022 Fair value £000
Tangible assets	1,286	-	1,286
Intangible assets	425	10,918	11,343
Stocks	3,619	(198)	3,421
Trade Debtors	1,799	-	1,799
Prepayments	164	-	164
Corporation Tax	13	-	13
Cash	1,334	-	1,334
Creditors due within one year	(1,657)	-	(1,657)
Deferred Revenue	(1)	-	(1)
Accruals	(756)	-	(756)
Deferred Tax	0	(239)	(239)
Net assets/(liabilities)	6,226	10,481	16,707
Goodwill arising on acquisition			1,274
			17,981
Discharged by:			
Cash			15,879
Shares			2,102
			17,981

The consolidated turnover and profit before tax of Sound Devices LLC and its subsidiaries included in the consolidation are £6.9m and £1.6m respectively.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Intangible assets (continued)

Acquisition analysis for acquisitions before 1 April 2021

Acquisition of Audiotonix Group Limited

On 18 March 2020 the group entered into a share purchase agreement to acquire the entire share capital of Audiotonix Group Limited and its subsidiaries. The senior management of Audiotonix Group Limited now hold equivalent positions in Audiotonix Holdings Limited and continue to execute a similar business strategy described more fully in the Strategic Report.

The acquisition took place as a consequence of the sale of Audiotonix Group Limited by its former owners to Adele UK Bidco 2 Limited, funded by Ardian (Buyout Fund VII B S.L.P). Goodwill has arisen as the purchase consideration exceeds the fair value of net assets acquired. Acquisition costs (primarily advisors fee, diligence costs, banking fees and stamp duty) of £7,112,000 was expensed in the previous financial period to the Income Statement within administrative expenses and £12,916,000 capitalised and amortised over seven years, with amortisation during the year of £1,845,000 (2021: £1,845,000) being charged to the Income Statement within finance expense (note 11).

Audiotonix Group Limited has been included in the consolidated balance sheet at fair value at the acquisition date.

Audiotonix Group Limited acquisition analysis: (prior year)	Book value £000	Revaluation adjustments £000	2021 Fair value £000
Goodwill	321,307	(321,307)	-
Other intangible assets	40,252	331,106	371,358
Tangible assets	5,402	-	5,402
Right-of-use asset	8,256	300	8,556
Stocks	28,262	958	29,220
Debtors	24,313	127	24,440
Cash	11,371	-	11,371
Creditors due within one year	(219,868)	2,234	(217,634)
Creditors due after one year	(7,618)	-	(7,618)
Provision for liabilities	(7,848)	(62,818)	(70,666)
Net assets/(liabilities)	203,829	(49,400)	154,429
Goodwill arising on acquisition			535,890
			690,319
Discharged by:			
Cash			690,319
			690,319

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NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Property, plant and equipment

Group	Freehold properties £000	Short leasehold £000	Plant and Machinery, fixtures and fittings £000	Motor vehicles £000	IT equipment £000	2022 Total £000
Cost						
As at 1 April 2021	2,680	483	2,660	25	329	6,177
Acquisitions through business combinations	810	-	316	81	94	1,301
Additions	168	19	1,308	-	657	2,152
Disposals	(8)	(61)	(237)	(193)	(111)	(610)
Exchange on translation	38	1	(142)	5	(28)	(126)
As at 31 March 2022	3,688	442	3,905	(82)	941	8,894
Depreciation						
As at 1 April 2021	260	95	839	2	150	1,346
Charge for the year	256	124	1,112	7	441	1,940
Disposals	-	(33)	(168)	(179)	(110)	(490)
As at 31 March 2022	516	186	1,783	(170)	481	2,796
Net book value						
As at 31 March 2022	3,172	256	2,122	88	460	6,098
As at 31 March 2021	2,420	388	1,821	23	179	4,831

Included within the cost of £8,894,000 is £40,000 and included within accumulated depreciation of £2,796,000 is £40,000 relating to assets held under finance lease agreements. The finance lease is secured over the asset it relates to.

	Freehold properties £000	Short leasehold £000	Plant and Machinery, fixtures and fittings £000	Motor vehicles £000	IT equipment £000	2021 Total £000
Cost						
As at 9 December 2019	-	-	-	-	-	-
Acquisitions through business combinations	2,680	378	2,006	25	313	5,402
Additions	-	108	872	-	39	1,019
Disposals	-	-	(171)	-	(23)	(194)
Exchange on translation	-	(3)	(47)	-	-	(50)
As at 31 March 2021	2,680	483	2,660	25	329	6,177
Depreciation						
As at 9 December 2019	-	-	-	-	-	-
Charge for the year	260	95	1,001	2	155	1,513
Disposals	-	-	(162)	-	(5)	(167)
As at 31 March 2021	260	95	839	2	150	1,346
Net book value						
As at 31 March 2021	2,420	388	1,821	23	179	4,831

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15 Right-of-use assets

The company leases properties and vehicles. Rental contracts are typically made for fixed periods of 3 to 13 years. There are no options to purchase at the end of the lease lives. In all cases, the lease obligations are secured by the lessor's title to the leased assets.

The right-of-use assets included in the statement of financial position are as follows:

	Properties £000	Vehicles £000	Totals £000
At 1 April 2021	8,243	20	8,263
Acquisitions through business acquisitions	-	-	-
Additions	882	73	955
Depreciation charge in year	(1,368)	(26)	(1,394)
At 31 March 2022	7,757	67	7,824

The right-of-use assets included in the statement of financial position on 31 March 2021 are as follows:

	Properties £000	Vehicles £000	Totals £000
At start of year	-	-	-
Acquisitions through business acquisitions	8,513	43	8,556
Additions	945	-	945
Depreciation charge in year	(1,215)	(23)	(1,238)
At 31 March 2021	8,243	20	8,263

Amounts recognised in profit and loss

	2022 £000	2021 £000
Depreciation expense on right-of-use assets	1,394	1,238
Interest expense on lease liabilities	460	468
Expense relating to leases of low-value assets	12	12

None of the company's property leases contain variable payment terms.

The total cash outflow relating to leases in the year amounted to £1,236k (2021: £1,801k).

Lease liability	2022 £000	2021 £000
Current	1,365	686
Non-current	6,976	7,476
	8,341	8,162

Maturity analysis (Undiscounted cashflows)	2022 £000	2021 £000
Not later than one year	1,789	1,131
Later than one year and not more than five years	6,125	4,491
Later than five years	1,955	4,438
	9,869	10,060

The aggregate undiscounted commitments for short-term and low value leases at the year end was £12k (FY21: £12k).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

16 Investments

Company	Shares in group undertakings £'000	Total £'000
Cost		
At 9 December 2019	-	-
Additions	510,444	510,444
At 31 March 2021	510,444	510,444
Additions	2,102	2,102
At 31 March 2022	512,546	512,546
Net Book Value		
At 31 March 2022	512,546	512,546
At 31 March 2021	510,444	510,444

Details of the company's subsidiaries owned directly and indirectly at 31 March 2022, all of which are registered in England and Wales unless otherwise stated, are as follows:

The subsidiary undertakings as specifically identified below with an "+" are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act as this company has guaranteed the subsidiary company under Section 479C of the Act.

Subsidiary undertaking	Country of Incorporation	Registered office	Principal activity	Type of shares held	Proportion held directly	Proportion held indirectly
Adele UK HoldCo Limited+		a	Dormant holding company	Ordinary	100%	-
Adele UK ParentCo Limited+		a	Dormant holding company	Ordinary	-	100%
Adele UK Bidco Limited+		a	Management company	Ordinary	-	100%
Adele US BidCo LLC	United States of America	h	Dormant	Ordinary	-	100%
Adele UK Bidco 2 Limited+		a	Holding company	Ordinary	-	100%
Audiotonix Group Limited+		a	Dormant holding company	Ordinary	-	100%
Audio UK 2 Limited+		a	Dormant holding company	Ordinary	-	100%
Audio UK 3 Limited+		a	Dormant holding company	Ordinary	-	100%
A6 Audio Bidco Limited+		a	Management company	Ordinary	-	100%
Calrec Audio Limited+		b	Audio	Ordinary	-	100%
Allen & Heath Limited+		c	Audio	Ordinary	-	100%
DiGiCo UK Limited+		a	Audio	Ordinary	-	100%
DiGiCo Limited+		a	Dormant	Ordinary	-	100%
Group One Limited	United States of America	d	Audio	Ordinary	-	100%
Solid State Logic Holdings+ Limited		e	Holding company	Ordinary	-	100%
Solid State Logic UK Limited+		e	Audio	Ordinary	-	100%
Solid State Logic SARL	France	f	Audio	Ordinary	-	100%
Solid State Logic Limited+		e	Dormant	Ordinary	-	100%

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16 Investments (continued)

Subsidiary undertaking	Country of Incorporation	Registered office	Principal activity	Type of shares held	Proportion held directly	Proportion held indirectly
Audiotonix US 2 Corp	United States of America	j	Holding company	Ordinary	-	100%
Sound Devices LLC	United States of America	i	Audio	Ordinary	-	100%
East Main Street Holdings LLC	United States of America	i	Property company	Ordinary	-	100%
Audio Limited+		k	Audio	Ordinary	-	100%
Sound Devices Europe GmbH	Germany	l	Audio	Ordinary	-	100%
KLANG: Technologies GmbH	Germany	g	Audio	Ordinary	-	100%
Audiotonix US Holdco Inc	United States of America	j	Holding company	Ordinary	-	100%

Registered office addresses:-

- a) Unit 10, Silverglade Business Park, Leatherhead Road, Chessington, Surrey KT9 2QL
- b) Nutclough Mill, Valley Road, Hebden Bridge, West Yorkshire, HX7 8EZ
- c) Kernick Industrial Estate, Penryn, Cornwall, TR10 9LU
- d) 70 Sea Lane, Farmingdale, NY 22735, USA
- e) 25 Spring Hill Road, Begbroke, Oxford OX5 1RU
- f) 7 Bis rue la Victoire, 93150 - Le Blanc Mesnil, France
- g) Wespienstraße 8-10, 52062, Aachen, Germany
- h) Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801, USA
- i) PO Box 576, E7556 State Road 23 and 33, Reedsburg, WI, 53959, USA
- j) Corporation Service Company, 251 Little Falls Drive, Wilmington, DE, 19808, USA
- k) 7 Century Court, Tolpits Lane, Watford, WD18 9RS
- l) KoBa Treuhand GmbH, Beethovenplatz 2, 80336, Munich, Germany.

17 Inventories	2022	2021
	£000	£000
Demonstration and loan equipment	1,387	-
Components in manufacture	40,652	18,627
Finished goods	9,438	9,833
	<u>51,477</u>	<u>28,460</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £59,327,000 (2021: £16,594,000).

The difference between the carrying value of stocks and their replacement cost is not material.

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18	Trade and other receivables	Group		Company	
		2022	2021	2022	2021
		£000	£000	£000	£000
	Trade receivables	35,119	13,241	-	-
	Prepayments	2,704	1,422	-	-
	Contract assets	1,013	-	-	-
	Other receivables	16,267	12,869	-	-
		55,103	27,532	-	-

Included within Other receivables is £4,161,000 (2021: £nil) of restricted cash.

19	Trade and other payables	Group		Company	
		2022	2021	2022	2021
		£000	£000	£000	£000
	Trade payables	22,720	8,461	-	-
	Other taxation and social security	143	-	-	-
	Other payables	3,494	3,540	-	-
	Accruals and deferred income	22,079	14,113	-	-
	Amounts owed by group undertakings	-	-	914	914
		48,436	26,114	914	914

Amounts owed to group undertakings that are a result of cash transfers to fellow group undertakings are subject to interest at Sterling Overnight Index Average (SONIA) plus 5.75%. The loans are for a maximum period of 10 years. There is no penalty or premium attached to early repayment.

20	Financial liabilities – borrowings	Group		Company	
		2022	2021	2022	2021
		£000	£000	£000	£000
	Current borrowings				
	– amounts due within one year:				
	Rights of use liability	1,365	686	-	-
		1,365	686	-	-
	Non-current borrowings				
	- amounts falling due after more than one year:				
	Bank loans (secured) – note 27	376,126	356,376	-	-
	Preference share capital	497,570	500,871	502,970	500,871
	Preference share dividends	116,987	56,972	118,261	56,972
	Rights of use liability	6,976	7,476	-	-
		997,659	921,695	621,231	557,843
		999,024	922,381	621,231	557,843

The bank loans terms and debt repayment schedule is included in note 27.

The Bank term loans and Revolving Credit Facility are guaranteed by a collection of group companies, with security held over their major investments, assets and cash balances.

The preference shares are redeemable at any time at the election of the company or upon a sale or listing. The shares accrue a dividend at 11% per annum on the amount subscribed for the shares (including premium) until the redemption date. A cumulative dividend of £118m (2021: £57m) was accrued at the balance sheet date. The dividend not accrued at the balance sheet date amounted to £nil (2021: £nil).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

21	Provision for liabilities	2022	2021
		Total	Total
		£000	£000
	Deferred tax liability (note 22)	78,357	70,271
	Sales and warranty provisions	128	81
	Dilapidation provision	150	190
		78,635	70,542

	Deferred tax liability £000	Dilapidation £000	Sales and warranty provision £000	2022 Total £000
At start of year	70,271	190	81	70,542
Acquisitions through business combination	-	-	-	-
Charge/(credit) to the consolidated income statement	7,847	(40)	47	7,854
Amounts arising from acquisition	239	-	-	239
Balance at 31 March 2022	78,357	150	128	78,635
Non-current	78,357	150	-	78,507
Current	-	-	128	128
	78,357	150	128	78,635

	Deferred tax liability £000	Dilapidation £000	Sales and warranty provision £000	2021 Total £000
At start of year	-	-	-	-
Acquisitions through business combination	-	190	196	386
Charge/(credit) to the consolidated income statement	33	-	(115)	(82)
Amounts arising from acquisition	70,238	-	-	70,238
Balance at 31 March 2021	70,271	190	81	70,542
Non-current	70,271	190	-	70,461
Current	-	-	81	81
	70,271	190	81	70,542

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22 Net deferred tax	2022	2021
Split as:	£000	£000
Deferred tax asset	3,533	10,187
Deferred tax liability (note 21)	(78,357)	(70,271)
	(74,824)	(60,084)

Deferred tax

The provision for deferred tax consists of:

Accelerated capital allowances	(3,070)	(2,257)
Temporary differences – trading	1,788	1,108
Consolidation intangibles	(75,479)	(63,140)
Loan relationships	1,617	3,980
Losses	320	225
	(74,824)	(60,084)

Movement in deferred tax assets and liabilities (2022):

	Deferred tax asset £000	Deferred tax liability £000	Deferred tax net £000
At start of year	10,187	(70,271)	(60,084)
Amount on acquisition	-	(239)	(239)
Charge to the consolidated income statement	(6,654)	(7,847)	(14,501)
Balance at 31 March 2022	3,533	(78,357)	(74,824)

Movement in deferred tax assets and liabilities (2021):

	Deferred tax asset £000	Deferred tax liability £000	Deferred tax net £000
At start of year	-	-	-
Amount on acquisition	525	(70,231)	(69,706)
Charge to the consolidated income statement	9,662	(40)	9,622
Balance at 31 March 2021	10,187	(70,271)	(60,084)

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23 Share capital

Class of shares	Nominal value per share (£)	Number of shares in issue	Nominal value (£)	Share Premium (£)	Total (£)
Authorised, allotted and fully paid					
Amounts presented in equity					
A1 Ordinary shares	0.01	5,083,933	50,839	457,554	508,393
A2 Ordinary shares	0.01	1,497,395	14,974	134,766	149,740
B Ordinary shares	0.01	950,102	9,501	82,680	92,181
C Ordinary shares	0.01	2,500,000	25,000	225,000	250,000
			100,314	900,000	1,000,314

On 9 December 2019, 1 Ordinary share of £1 per share was issued.

On 17 March 2020, a sub-division of shares was exercised, converting 1 Ordinary share of £1 per share to 10 Ordinary shares at £0.10 per share. On the 18 March 2020, the 10 Ordinary shares were re-designated as 10 A1 ordinary shares and the previous share certificate for the 10 shares cancelled.

On 18 March 2020, the following shares were issued:

5,083,933 A1 Ordinary shares of £0.01 per share were issued for £0.10 per share. The share premium of £457,554, arising on issue, has been credited to the share premium account.

1,497,395 A2 Ordinary shares of £0.01 per share were issued for £0.10 per share. The share premium of £134,766, arising on issue, has been credited to the share premium account.

950,102 B Ordinary shares of £0.01 per share were issued for £0.10 per share. The share premium of £82,680, arising on issue, has been credited to the share premium account.

2,500,000 C Ordinary shares of £0.01 per share were issued for £0.10 per share. The share premium of £225,000, arising on issue, has been credited to the share premium account.

On 1 November 2021 the following shares were issued:

31,430 B Ordinary shares of £0.01 per share were issued for £0.10 per share. The share premium of £2,829, arising on issue, has been credited to the merger reserve account.

Class of shares	Nominal value per share (£)	Number of shares in issue	Nominal value (£)	Total (£)
Amounts presented in liabilities				
Redeemable A preference shares (note 19)	0.000001	497,099,210	497	497
Redeemable B preference shares (note 19)	0.000001	5,871,211	6	6
			503	503

On 18 March 2020, 497,099,210 A Preference shares of £0.000001 per share were issued for £1 per share and 3,772,165 B Preference shares of £0.000001 per share were issued for £1 per share.

On 01 November 2021, 2,099,046 B Preference shares of £0.000001 per share were issued for £1 per share.

£0.01 A1 Ordinary, £0.01 A2 Ordinary, £0.01 B Ordinary

Voting, dividend, and capital contribution rights:

The holders of these Shares shall have full voting, dividend and capital distribution rights (see separate note).

Redemption rights:

These shares do not carry redemption rights.

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23 Share capital – continued

£0.01 C Ordinary

Voting, dividend, and capital contribution rights:

The holders of these Shares shall have non-voting rights. They hold dividend and capital distribution rights (see separate note).

Redemption rights:

These shares do not carry redemption rights

£0.00001 Preference A and B Shares

Voting, dividend, and capital contribution rights:

The holders of these Shares shall have non-voting rights. They hold capital distribution and redemption rights (see separate note) and entitled to a fixed cumulative preferential dividend.

Capital Redemption Rights

On a distribution or a return of capital to Shareholders the proceeds will be distributed as follows:

Preference share holders will receive the entire nominal value together with the value of unpaid accrued preference share interest. This will be settled on a pari passu basis if insufficient distributions are available.

Remaining distribution value will be distributed to the holders of A1 Shares, A2 Shares, B Ordinary Shares and C Shares; and allocated in proportion to ratchet percentages defined in the articles of association depending upon the distribution value.

24 Reserves

Share premium account – includes any premiums received on issue of share capital less transaction costs associated with the issue of shares.

Capital contribution reserve – includes exchange gain on issuing of share capital.

Other reserves – includes other miscellaneous balances.

Merger reserve – includes premiums received above nominal value relating to the fair value issue of shares as a result of the application of merger relief.

Retained earnings – includes all retained profits and losses and another movement in relation to an exit bonus.

Foreign exchange translation reserve – includes currency translation differences on foreign currency net investments.

Own shares held reserve – the 'Audiotonix Employee Benefit Trust' ('EBT') is a discretionary trust, with an independent trustee, Rose Limited (Isle of Man). It was established to ensure employees benefitted from the ongoing development of the group and to provide a market for those shares held by employees leaving employment of the group.

The costs of administering the EBT are charged to the profit and loss account as incurred.

At the balance sheet date, the EBT held 81,465 ordinary B shares and 416,336 ordinary C shares in Audiotonix Holdings Limited. These shares are classified as own shares held on consolidation.

25 Related party transactions

The following related parties held preference shares, the terms of which are disclosed in note 23.

At the balance sheet date the group owed £421,686,095 (2021: £380,000,554.94) to a shareholder, Ardian. The preference share dividend charged during the year on this balance amounts to £41,685,540 (period ended 31 March 2021: £38,809,000). The group owed £123,407,377 (2021: £111,208,000) to another shareholder, Astorg. The preference share dividend charged during the year on this balance amounts to £12,199,366 (period ended 31 March 2021: £11,358,000).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

25 Related party transactions (continued)

No fees were paid to members of Ardian or Astorg. Reasonable travel expenses for attending board and management meetings are reimbursed on request.

At the balance sheet date the group owed £36,139,744 (2021: £32,567,000) to the directors. The preference share dividend charged during the year on these balances amounts to £3,572,574 (period ended 31 March 2021: £3,326,000).

At the balance sheet date the group owed £33,139,212 (2021: £27,886,000) to Pencaster Limited (as trustees for certain other shareholders). The preference share dividend charged during the year on this balance amounts to £3,153,700 (period ended 31 March 2021: £2,848,000).

The dividend charged in the year to 31 March 2022 was accrued and is only payable on redemption. The directors are the only key management.

Details of directors' emoluments are disclosed in Note 9.

26 Controlling parties

The company is majority owned by Ardian Buyout Fund VII B S.L.P. incorporated in 20 Place Vendome, 75001 Paris, France.

27 Financial instruments

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
<i>Categories of financial instruments</i>				
<i>Financial assets designated as amortised cost</i>				
Cash and cash equivalents	20,587	24,709	-	-
Trade receivables	35,119	13,241	-	-
Other financial assets	12,257	12,869	-	-
<i>Financial liabilities designated as amortised cost</i>				
Trade and other payables	(26,477)	(21,751)	(914)	(914)
Borrowings	(1,005,461)	(922,381)	(621,231)	(557,843)

Fair value of financial instruments

The fair value of the group's financial instruments and its long term loan note borrowing at 31 March 2022 did not differ materially from their carrying values.

The group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

All of the group's assets and liabilities are categorised in Level 1 in the fair value hierarchy.

Risk management objectives and policies

Risk management objectives and policies are more fully described in the Strategic Report of the directors.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers.

The concentration of credit risk for trade receivables at the balance sheet date from customers was:

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NOTES TO THE FINANCIAL STATEMENTS (continued)

27 Financial instruments (continued)

	Group	
	2022	2021
	£000	£000
Customers		
<i>Credit quality of financial assets and impairment losses</i>		
The ageing of trade receivables at the balance sheet date was:		
Not past due	23,941	7,661
Past due 0 - 30 days	8,302	3,949
Past due 31 - 120 days	2,322	1,578
More than 120 days	554	53
	35,119	13,241

The company had no trade receivables at the balance sheet date.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group	
	2022	2021
	£000	£000
At start of the year	1,320	-
Amount on acquisition	8	1,170
Increase during the year	29	150
Amounts subsequently received	(374)	-
Balance at 31 March	983	1,320

At the balance sheet date overdue trade receivables against which no provision was recorded were £10,195k (FY21: £4,260k)

Liquidity risk – group

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

Group	Carrying amount £000	2022			
		1 year or less £000	1 to 2 years £000	2 to 5 years £000	5 years & over £000
Non-derivative financial liabilities					
Secured bank loans	376,126	-	-	-	376,126
Lease liability (undiscounted)	9,869	1,789	1,798	4,327	1,955
Preference share capital	614,557	-	-	-	614,557
Preference share interest	-	-	-	-	-
Trade and other payables	48,436	48,436	-	-	-
		50,225	1,798	4,327	992,638

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NOTES TO THE FINANCIAL STATEMENTS (continued)

27 Financial instruments (continued)

Group	Carrying amount £000	2021			
		1 year or less £000	1 to <2years £000	2 to <5years £000	5 years and over £000
<i>Non-derivative financial liabilities</i>					
Secured bank loans	356,376	-	-	-	356,376
Lease liability (undiscounted)	10,100	1,131	1,520	4,221	3,228
Preference share capital	500,871	-	-	-	500,871
Preference share interest	56,972				56,972
Trade and other payables	26,114	26,114	-	-	-
		27,245	1,520	4,221	917,447

Secured bank loans in the group:

	Nominal Interest rate	Period of Maturity	Face Value
First lien loan USD	US Libor + 4.5%	2027	£312,169,294
Second lien loan USD	US Libor + 8.5%	2027	£60,924,530

The bank loans are secured by way of a fixed and floating charge over the assets of the group.

The company had no financial liabilities in 2022, other than the preference share capital shown above which is payable after more than five years.

Market risk – group

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments.

Market risk – foreign currency risk

Group	Sterling	US Dollar	Euro	Yen	CAD	Total
31 March 2022	£000	£000	£000	£000	£000	£000
Cash and cash equivalents	10,606	9,163	814	3	1	20,587
Trade receivables	5,874	29,031	102	112	-	35,119
Forward exchange contracts	-	-	-	-	-	-
Secured bank loans	-	(376,126)	-	-	-	(376,126)
Trade payables	(5,691)	(17,014)	(15)	-	-	(22,720)
Balance sheet exposure	10,789	(354,946)	901	115	1	(342,793)
Estimated forecast sales	65,159	145,328	1,878	200	0	212,565
Estimated forecast purchases	(45,110)	(90,384)	(731)		0	(136,225)
Net exposure	20,049	54,944	1,147	200	0	76,340

A 5 percent weakening / (strengthening) of the US dollar against Sterling at 31 March 2022 would have increased/(decreased) the profit by £2,201,000. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

The company had no exposure to foreign currency risk.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

27 Financial instruments (continued)

Group	Sterling	US Dollar	Euro	Yen	Total
31 March 2021	£000	£000	£000	£000	£000
Cash and cash equivalents	7,848	16,621	239	1	24,709
Trade receivables	3,295	9,265	696	(15)	13,241
Secured bank loans	-	(356,376)	-	-	(356,376)
Trade payables	(4,580)	(3,808)	(73)	-	(8,461)
Balance sheet exposure	6,563	(334,298)	862	(14)	(326,885)
Estimated forecast sales	48,989	95,678	2,500	200	147,367
Estimated forecast purchases	(50,592)	(47,454)	-	-	(98,046)
Net exposure	4,960	(286,074)	3,362	186	(277,566)

Market risk – interest rate risk

Profile

At the balance sheet date the interest rate profile of the group's interest-bearing financial instruments before capitalised debt costs were:

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Fixed rate instruments				
Fixed rate borrowings	621,231	500,871	621,231	500,871
Variable rate instruments				
Floating rate borrowings	376,126	356,376	-	-

Sensitivity analysis

The group does not account for any fixed rate borrowings at fair value through the income statement; therefore a change in interest rates at the reporting date would not affect equity or income.

An increase/(decrease) of 50 basis points in interest rates on floating rate borrowings would have (decreased)/increased the profit by £1,250,000. This calculation assumes that the change occurred at the beginning of the period and had been applied to risk exposures existing at that balance sheet date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps.

28 Off balance sheet arrangement

There are no material off-balance sheet arrangements.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

29 Contingent liabilities and events since the balance sheet date

There were no contingent liabilities at 31 March 2022.

Subsequent to the year end, on 9 September 2022, the group agreed, through wholly owned intermediate holdings companies, to acquire the *Slate Digital* group comprising *Slate Digital LLC*, *Slate Digital France S.A.S.* and *Eiosis LLC* with completion taking place on 30 September 2022.

Subsequent to the year end, on 22 September 2022 the group refinanced its existing bank loans. The existing first and second lien loans were repaid in full. These have been replaced by a Term loan B facility with other lenders and an incremental ACF (acquisition) facility, which is intended to support the group making acquisitions. An existing RCF facility has been replaced by a new RCF facility of the same amount provided from the same date. The new loans have an interest rate of US Libor + 6.25%. The new RCF has an interest rate of US Libor + 3.5%.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

30 Changes in financial activities

	Liability			Equity					
	Loans and borrowings	Shares classified as debt	Finance lease liabilities	Share capital/premium	Other reserves/ Merger Reserve	Transaction Bonus	Own Shares Reserve	Capital contribution	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2021	356,376	500,871	8,162	1,000	(660)	7,484	-	7,659	880,892
Changes from financing cash flows									
Issue of bank loans	-	-	-	-	-	-	-	-	-
Repayment of bank loans	-	-	-	-	-	-	-	-	-
Shares issued	-	-	-	-	-	-	-	-	-
Payment of finance lease liabilities	-	-	(1,236)	-	-	-	-	-	(1,236)
Cost of transaction bonus	-	-	-	-	-	-	-	-	-
Bank loan interest paid	(17,051)	-	-	-	-	-	-	-	(17,051)
Total changes from financing cash flows	(17,051)	-	(1,236)	-	-	-	-	-	(18,287)
The effect of changes in foreign exchange rates	16,644	-	-	-	-	-	-	-	16,644
Other changes									
Other reserves movement	-	(5,400)	-	-	686	-	(50)	(7,659)	(12,423)
Finance lease additions	-	-	955	-	-	-	-	-	955
Sound Devices Acquisition Share Disbursement	-	2,099	-	-	3	-	-	-	2,102
Interest expense	20,157	-	460	-	-	-	-	-	20,617
Total other changes	20,157	(3,301)	1,415	-	689	-	(50)	(7,659)	11,251
Balance at 31 March 2022	376,126	497,570	8,341	1,000	29	7,484	(50)	-	890,500

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NOTES TO THE FINANCIAL STATEMENTS (continued)

30A Changes in financial activities (prior year)

	Liability		Equity					
	Loans and borrowings £000	Shares classified as debt £000	Finance lease liabilities £000	Share capital/ premium £000	Other reserves £000	Transaction Bonus £000	Capital contribution £000	Total £000
Balance at 9 December 2019	-	-	-	-	-	-	-	-
Acquisition	187,459	-	8,669	-	-	-	-	196,128
	187,459	-	8,669	-	-	-	-	196,128
Changes from financing cash flows								
Issue of bank loans	448,645	-	-	-	-	-	-	448,645
Repayment of bank loans	(236,304)	-	-	-	-	-	-	(236,304)
Shares issued	-	500,871	-	1,000	-	-	7,659	509,530
Payment of finance lease liabilities	-	-	(1,920)	-	-	-	-	(1,920)
Cost of transaction bonus	-	-	-	-	-	7,484	-	7,484
Bank loan interest paid	(20,797)	-	-	-	-	-	-	(20,797)
	(20,797)	-	-	-	-	-	-	(20,797)
Total changes from financing cash flows	191,544	500,871	(1,920)	1,000	-	7,484	7,659	706,638
The effect of changes in foreign exchange rates	(43,424)	-	-	-	-	-	-	(43,424)
Other changes								
Other reserves movement	-	-	-	-	(660)	-	-	(660)
Finance lease additions	-	-	945	-	-	-	-	945
Interest expense	20,797	-	468	-	-	-	-	21,264
Total other changes	20,797	-	1,413	-	(660)	-	-	21,549
Balance at 31 March 2021	356,376	500,871	8,162	1,000	(660)	7,484	7,659	880,892