

**AUDIOTONIX GROUP LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2021**

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# AUDIOTONIX GROUP LIMITED

## COMPANY INFORMATION

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**Directors**

A J Booker (Appointed 19 October 2021)  
J Gordon  
H M Culleton

**Company number**

10636696

**Registered office**

Unit 10  
Silvergrade Business Park  
Leatherhead Road  
Chessington  
Surrey  
KT9 2QL

**Auditor**

KPMG LLP  
Regus, 4th Floor  
Salt Quay House  
6 North East Quay  
Plymouth  
Devon  
PL4 0HP

**Business address**

Unit 10  
Silvergrade Business Park  
Leatherhead Road  
Chessington  
Surrey  
KT9 2QL

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# **AUDIOTONIX GROUP LIMITED**

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# AUDIOTONIX GROUP LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 MARCH 2021**

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The directors present the strategic report for the year ended 31 March 2021.

### Principal activities

Audiotonix Group Limited (the company) is an intermediate holding company and part of the Audiotonix Holdings Limited group of companies. The company did not trade during the year.

### Review of business

The company operated as an intermediate holding company throughout the period. It holds an investment in a fellow subsidiary of Audiotonix Holdings Limited. The company has continued to monitor the performance of its investment, the valuation of which is the main risk facing the company. The principal activity of the company is expected to remain the same in the coming year.

### Principal risks and uncertainties

The principal risk faced by the company is the valuation of investments. The investments primarily relate to the trading subsidiaries of Audiotonix Holdings Limited, and how successful they are. These companies are ultimately managed by the directors and senior leadership team of Audiotonix Holdings Limited who have a strong track record in managing and mitigating risks, so far as practical, whilst maintaining and growing the profitability of trading subsidiaries.

### Brexit

The Board has considered the extent of challenges to our business model and operations arising from the withdrawal of the United Kingdom from the European Union ("Brexit"). The Board continues to envisage that Brexit will not have a significant impact on the company, based on the proportion of operations and cash flow generating elements of the business residing outside the EU and the low level disruption experienced to date. The Board will continue to monitor any risks emerging from the cessation of transitional arrangements as part of its business-as-usual activities.

### Covid-19

The impact of Covid-19 is considered in the Directors report.

On behalf of the board



A J Booker

Director

03 December 2021

# AUDIOTONIX GROUP LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 MARCH 2021

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The directors present their annual report and financial statements for the year ended 31 March 2021.

#### Principal activities

The company is an intermediate holding company and part of the Audiotonix Holdings Limited group of companies. The company did not trade during the year.

#### Directors

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

J Barton

(Resigned 2 November 2021)

J Gordon

H M Culleton

A J Booker

(Appointed 19 October 2021)

#### Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid (2020: £nil). The directors do not recommend payment of a final dividend.

#### Supplier payment policy

The company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

#### Covid-19 impact

There are no specific events since the balance sheet date which have a material impact on the trading position or assets and liabilities of the company. However, the impact of the Covid-19 pandemic and subsequent recovery phase exposes the business to a wide ranging number of risks and opportunities which are separately considered in the going concern assessment.

#### 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.

#### Energy and carbon report

As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

# AUDIOTONIX GROUP LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2021

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#### Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 company and of the profit or loss of the company for that period. In preparing these 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 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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 company and to prevent and detect fraud and other irregularities.

#### Strategic Report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report the following information which would otherwise be required to appear in the directors' report.

Review of business; and  
Principal risks and uncertainties.

#### Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditor is unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself of herself aware of any information and to establish that the company's auditor is aware of that information.

On behalf of the board



A J Booker  
Director

03 December 2021

Unit 10  
Silvergrade Business Park  
Leatherhead Road  
Chessington  
Surrey  
KT9 2QL

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF AUDIOTONIX GROUP LIMITED

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#### Opinion

We have audited the financial statements of Audiotonix Group Limited ("the company") for the year ended 31 March 2021 which comprise the Income statement, Statement of financial position, Statement of changes in equity, Statement of cash flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 company 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 company or to cease its operations, and as they have concluded that 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 its 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 company's business model and analysed how those risks might affect the 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 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 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 and inspection of policy documentation as to the parent company Audiotonix Holdings Limited's policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

We performed procedures including agreeing all accounting entries in the period to supporting documentation.

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF AUDIOTONIX GROUP LIMITED**

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#### **Fraud and breaches of laws and regulations – ability to detect**

*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 and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

The company 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.

This company, as a holding company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

#### *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.



## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF AUDIOTONIX GROUP LIMITED**

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#### **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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 3, 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 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 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 further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**  
**TO THE MEMBERS OF AUDIOTONIX GROUP LIMITED**

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**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.

*Ian Brokenshire*

**Ian Brokenshire (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP**

03 December 2021

**Chartered Accountants**  
**Statutory Auditor**

Regus, 4th Floor  
Salt Quay House  
6 North East Quay  
Plymouth  
Devon  
United Kingdom  
PL4 0HP

# AUDIOTONIX GROUP LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £'000	2020 £'000
Finance costs	3	(21,187)	(19,240)
<b>Loss before taxation</b>		<b>(21,187)</b>	<b>(19,240)</b>
Income tax expense	4		
<b>Loss and total comprehensive income for the year</b>	12	<b>(21,187)</b>	<b>(19,240)</b>

The accompanying notes form part of the financial statements.

# AUDIOTONIX GROUP LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

	Notes	2021 £'000	2020 £'000
<b>Non-current assets</b>			
Investments	5	176,775	169,549
<b>Current assets</b>			
Trade and other receivables	7	33,594	33,594
<b>Current liabilities</b>			
Trade and other payables	9	(73,684)	(54,730)
<b>Net current liabilities</b>		(40,090)	(21,136)
<b>Non-current liabilities</b>			
Borrowings	8	(159,988)	(159,988)
<b>Net liabilities</b>		(23,303)	(11,575)
<b>Equity</b>			
Called up share capital	10	7	7
Share premium account	11	1,012	1,012
Retained earnings	12	(24,322)	(12,594)
<b>Total equity</b>		(23,303)	(11,575)

The financial statements were approved by the board of directors and authorised for issue on 03 December 2021 and are signed on its behalf by:



A J Booker  
Director

Company Registration No. 10636696

The accompanying notes form part of the financial statements.

**AUDIOTONIX GROUP LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2021**

	Notes	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 April 2019</b>		7	90	6,646	6,743
<b>Year ended 31 March 2020:</b>					
Loss and total comprehensive income for the year		-	-	(19,240)	(19,240)
Issue of share capital	10	922			922
<b>Balance at 31 March 2020</b>		7	1,012	(12,594)	(11,575)
<b>Year ended 31 March 2021:</b>					
Loss and total comprehensive income for the year		-	-	(21,187)	(21,187)
Other movements	12			9,459	9,459
<b>Balance at 31 March 2021</b>		7	1,012	(24,322)	(23,303)

The accompanying notes form part of the financial statements.

# AUDIOTONIX GROUP LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Net cash outflow from operating activities			
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year			
Cash and cash equivalents at end of year			

**AUDIOTONIX GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2021**

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**1 Accounting policies**

**Company information**

Audiotonix Group Limited is a private company limited by shares incorporated in England and Wales, the company registration number is 10636696. The registered office is Unit 10, Silvergrade Business Park, Leatherhead Road, Chessington, Surrey, United Kingdom, KT9 2QL. The company's principal activities and nature of its operations are disclosed in the directors' report.

**1.1 Accounting convention**

The Company financial statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs").

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group. The company did not take this exemption for the year ended 31 March 2020 and prepared consolidated financial statements.

Audiotonix Group Limited is a wholly owned subsidiary of Audiotonix Holdings Limited and the results of Audiotonix Group Limited are included in the consolidated financial statements of Audiotonix Holdings Limited which are available from Unit 10, Silvergrade Business Park, Leatherhead Road, Chessington, Surrey, United Kingdom, KT9 2QL.

# AUDIOTONIX GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2021

#### 1 Accounting policies

(continued)

##### 1.2 Going concern

Notwithstanding net current liabilities of £40,090,000 as at balance sheet date and a loss for the year then ended of £21,187,000 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

Audiotonix Group Limited is a wholly owned subsidiary of Audiotonix Holdings Limited, which has available banking facilities to meet financial requirements for at least twelve months from the date of signing these financial statements. The group as a whole has extensive financial resources from its 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. These factors, combined with the results achieved to date against budget, give the directors confidence that the company has sufficient funding to continue to meet liabilities that fall due for a period of at least twelve months from the approval of these financial statements, and as such they have been prepared on a going concern basis.

The directors have prepared cash flow forecasts for the period to 31 March 2023 which indicate that, taking account of severe but plausible possible downside scenarios, the company will have sufficient funds to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's immediate parent company Adele UK BidCo 2 Limited not seeking repayment of the amounts currently due, which at balance sheet date amounted to £233,671,000. Adele UK BidCo 2 Ltd has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Under all downside scenarios prepared the wider Audiotonix group remains cash generative. New financing was put in place on 18 March 2020 when Audiotonix Group Limited was acquired by Adele UK Bidco 2 Limited. The financing is in form of 1st and 2nd lien debt. It includes a £50m RCF facility which remains available.

The company and group cash flow forecasts give the directors confidence that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

##### 1.3 Non-current investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

##### 1.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.



# AUDIOTONIX GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 1 Accounting policies

(continued)

#### 1.5 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

##### **Financial assets at fair value through profit or loss**

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognized initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

##### **Financial assets held at amortised cost**

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

##### **Financial assets at fair value through other comprehensive income**

Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

The company has made an irrevocable election to recognize changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss. Equity instruments measured at fair value through other comprehensive income are recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to retained earnings when the equity instrument is derecognized or its fair value substantially decreased. Dividends are recognized as finance income in profit or loss.

# AUDIOTONIX GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2021

#### 1 Accounting policies

(continued)

##### **Impairment of financial assets**

Financial assets, other than those measured at fair value through profit or 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 of the investment have been affected.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

#### 1.6 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

##### **Financial liabilities at fair value through profit or loss**

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

##### **Other financial liabilities**

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

##### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

#### 1.7 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

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

# AUDIOTONIX GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 1 Accounting policies

(continued)

#### Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.8 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

#### 1.9 Interest receivable and interest payable

Interest payable 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. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable 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.

### 2 Operating profit

No directors' emoluments or staff costs were incurred directly by the company.

Audit fees of £11,300 have been borne by another group company.

### 3 Finance costs

	2021 £'000	2020 £'000
Other interest payable	21,187	19,240

# AUDIOTONIX GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2021

#### 4 Income tax expense

	2021 £'000	2020 £'000
The charge for the year can be reconciled to the loss per the income statement as follows:		
	2021 £'000	2020 £'000
Loss before taxation	(21,187)	(19,240)
Expected tax credit based on a corporation tax rate of 19.00% (2020: 19.00%)	(4,026)	(3,656)
Effect of expenses not deductible in determining taxable profit	4,026	3,656
<b>Taxation charge for the year</b>		

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The UK deferred tax asset/(liability) as at 31 March 2021 was calculated at 19% (2020: 17%).

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future tax charges.

#### 5 Investments

	Current		Non-current	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Investments in subsidiaries			176,775	169,549

#### Fair value of financial assets carried at amortised cost

Except as detailed below the directors believe that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

# AUDIOTONIX GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 5 Investments

#### Movements in non-current investments

	Shares in subsidiaries £'000
<b>Cost or valuation</b>	
At 1 April 2020	169,549
Additions	7,226
At 31 March 2021	176,775
<b>Carrying amount</b>	
At 31 March 2021	176,775
At 31 March 2020	169,549

### 6 Subsidiaries

Details of the company's subsidiaries at 31 March 2021 are as follows:

Name of undertaking	Address	Class of shares held	% Held	
			Direct	Indirect
Allen & Heath Limited	a	Ordinary	-	100.00
Audio UK 2 Limited	b	Ordinary	100.00	-
Audio UK 3 Limited	b	Ordinary	-	100.00
A6 Audio Bidco Limited	b	Ordinary	-	100.00
DiGiCo UK Limited	b	Ordinary	-	100.00
DiGiCo Limited	b	Ordinary	-	100.00
Calrec Audio Limited	c	Ordinary	-	100.00
Group One Limited	d	Ordinary	-	100.00
BlueSky International	d	Ordinary	-	50.00
Solid State Logic Holdings	e	Ordinary	-	100.00
Solid State Logic UK Limited	e	Ordinary	-	100.00
Solid State Logic Limited	e	Ordinary	-	100.00
Solid State Logic Inc	f	Ordinary	-	100.00
Solid State Logic SARL	g	Ordinary	-	100.00
Klang: technologies GmbH	h	Ordinary	-	100.00

Registered office addresses (all UK unless otherwise indicated):

- a Kernick Industrial Estate, Penryn, Cornwall, TR10 9LU
- b Unit 10 Silverglade Business Park, Leatherhead Road, Chessington, Surrey, KT9 2QL
- c Nutclough Mill, Valley Road, Hebden Bridge, West Yorkshire, HX7 8EZ
- d 70 Sea Lane, Farmingdale, NY 22735, USA
- e 25 Spring Hill Road, Begbroke, Oxford, OX5 1RU
- f 545 8th Avenue, Suite 2110, New York, NY 10018, USA
- g 7 Bis rue la Victoire, 93150 - Le Blanc Mesnil, France
- h Wespienstraße 8-10, 52062, Aachen, Germany

# AUDIOTONIX GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2021

#### 7 Trade and other receivables

	2021 £'000	2020 £'000
Amounts owed by fellow group undertakings	33,594	33,594

#### 8 Borrowings

	Non-current 2021 £'000	2020 £'000
<b>Borrowings held at amortised cost:</b>		
Redeemable preference shares	159,988	159,988

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 10% per annum on the amount subscribed for the shares (including premium) but this is payable only on redemption. A dividend of £74m (2020: £53m) was accrued at the balance sheet date. The dividend not accrued at the balance sheet date amounted to £Nil (2020:£nil).

On 31 March 2021 a special written resolution adopted new articles of association relating to the preference dividend so that preference dividends cease to accrue. Since 18 March 2020 the entire preference share capital has been held by Adele UK BidCo 2 Limited, a fellow subsidiary company of the ultimate parent company, Audiotonix Holdings Limited.

#### 9 Trade and other payables

	2021 £'000	2020 £'000
Accruals	52,497	54,730
Amounts owed to group undertakings	21,187	

# AUDIOTONIX GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 10 Share capital

	2021 Number	2020 Number	2021 £'000	2020 £'000
<b>Ordinary share capital</b>				
<b>Authorised</b>				
A1 Ordinary shares of 0.05p each	6,652,020	6,652,020	3	3
A2 Ordinary shares of 0.05p each	1,303,487	1,303,487	1	1
B1 Ordinary shares of 0.05p each	1,323,568	1,323,568	1	1
B2 Ordinary shares of 0.14p each	300,694	300,694	-	-
B3 Ordinary shares of 0.7p each	83,535	83,535	1	1
B4 Ordinary shares of 0.6p each	75,893	75,893	-	-
B5 Ordinary shares of 0.5p each	108,441	108,441	1	1
	<u>9,847,638</u>	<u>9,847,638</u>	<u>7</u>	<u>7</u>
<b>Issued and fully paid</b>				
A1 Ordinary shares of 0.05p each	6,652,020	6,652,020	3	3
A2 Ordinary shares of 0.05p each	1,303,487	1,303,487	1	1
B1 Ordinary shares of 0.05p each	1,323,568	1,323,568	1	1
B2 Ordinary shares of 0.14p each	300,694	300,694	-	-
B3 Ordinary shares of 0.7p each	83,535	83,535	1	1
B4 Ordinary shares of 0.6p each	75,893	75,893	-	-
B5 Ordinary shares of 0.5p each	108,441	108,441	1	1
	<u>9,847,638</u>	<u>9,847,638</u>	<u>7</u>	<u>7</u>

# AUDIOTONIX GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 10 Share capital

(continued)

	2021 Number	2020 Number	2021 £'000	2020 £'000
<b>Preference share capital</b>				
<b>Authorised</b>				
Preference shares of 0.001p each	159,989,091	159,989,091	159,989	159,989
<b>Issued and fully paid</b>				
Preference shares of 0.001p each	159,989,091	159,989,091	159,989	159,989
Preference shares classified as liabilities			159,989	159,989

£0.0005 A1 Ordinary, £0.0014 B2 Ordinary, £0.007 B3 Ordinary, £0.006 B4 Ordinary and £0.005 B5 Ordinary  
VOTING RIGHTS:

The holders of these Shares shall, in respect of the Ordinary shares held by them, be entitled to receive notice of, attend and speak at and vote, general meetings of the company and on a show of hands each such holder shall have one vote and on a poll or on a written resolution each such holder shall have one vote for each Ordinary share held by them.

#### DIVIDEND RIGHTS:

After payment of the Preference Dividend, the profits of the company available for distribution and resolved with the consent of the Investor Majority to be distributed shall, subject to the provisions of the Companies Acts and the Finance Documents, be distributed by way of dividend amongst the holders of the Ordinary Shares in proportion to the numbers of such shares held by them respectively. Every dividend shall be apportioned and paid to the appropriate member according to the amounts paid up or credited as paid up on the shares of the relevant class held by them during any portion of the period in respect of which the dividend is payable.

#### RETURN OF CAPITAL RIGHTS:

On a return of capital on a liquidation or otherwise, the surplus assets of the company available for distribution among the members (after the payment of the company's liabilities including any debts arising from non-payment of Preference dividends) shall be applied in the following manner and order of priority:

(a) Firstly, in paying to each holder of Preference Shares in respect of each Preference Share it holds, an amount equal to all unpaid arrears and accruals of Preference Dividend thereon (and any interest thereon) calculated down to and including the date of payment and to be payable irrespective of what, if any, profits have been made or earned by the company and irrespective of whether or not such unpaid arrears and accruals have become due and payable in accordance with the provisions of the Articles;

(b) Secondly, in paying to each holder of Preference Shares in respect of each Preference Share it holds, an amount equal to the Subscription Price of such Preference Shares; and

(c) Finally, the balance of such assets shall be distributed amongst the holders of the Ordinary Share in proportion to the number of such Ordinary Shares held by them respectively.

#### REDEMPTION RIGHTS:

These shares do not carry redemption rights.

£0.0005 A2 Ordinary and £0.0005 B1 Ordinary

#### VOTING RIGHTS:

The holders of these Shares shall, in respect of the Ordinary shares held by them, not be entitled to receive notice of, nor attend or speak at or vote at, general meetings of the company.



# AUDIOTONIX GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2021

#### 10 Share capital

(continued)

##### DIVIDEND RIGHTS:

After payment of the Preference Dividend, the profits of the company available for distribution and resolved with the consent of the Investor Majority to be distributed shall, subject to the provisions of the Companies Acts and the Finance Documents, be distributed by way of dividend amongst the holders of the Ordinary Shares in proportion to the numbers of such shares held by them respectively.

Every dividend shall be apportioned and paid to the appropriate member according to the amounts paid up or credited as paid up on the shares of the relevant class held by them during any portion of the period in respect of which the dividend is payable.

##### RETURN OF CAPITAL RIGHTS:

On a return of capital on a liquidation or otherwise, the surplus assets of the company available for distribution among the members (after the payment of the company's liabilities including any debts arising from non-payment of Preference dividends) shall be applied in the following manner and order of priority:

(a) Firstly, in paying to each holder of Preference Shares in respect of each Preference Share it holds, an amount equal to all unpaid arrears and accruals of Preference Dividend thereon (and any interest thereon) calculated down to and including the date of payment and to be payable irrespective of what, if any, profits have been made or earned by the company and irrespective of whether or not such unpaid arrears and accruals have become due and payable in accordance with the provisions of the Articles;

(b) Secondly, in paying to each holder of Preference Shares in respect of each Preference Share it holds, an amount equal to the Subscription Price of such Preference Shares; and

(c) Finally, the balance of such assets shall be distributed amongst the holders of the Ordinary Share in proportion to the number of such Ordinary Shares held by them respectively.

##### REDEMPTION RIGHTS:

These shares do not carry redemption rights.

##### £0.00001 Preference

##### VOTING RIGHTS:

The holders of the Preference Shares shall, in respect of the Preference shares held by them, be entitled to receive notice of and attend general meetings of the company and to receive copies of all resolutions proposed as written resolutions but shall not be entitled to vote at such meetings and shall not constitute an eligible member in relation to any such proposed written resolution.

##### DIVIDENDS RIGHTS:

A fixed, cumulative, preferential dividend at the rate of 10 percent per annum of the Subscription Price (the "Preference Dividend") shall accrue on each Preference Share on a daily basis and compound annually (on the assumption of a 365 day per year basis) on 31 December each year from the date of issue of such Preference Shares whether or not earned or declared and whether or not there are sufficient distributable reserves legally available to the company to permit payment. The accrued Preference Dividend shall be paid on redemption of the Preference Shares in accordance with Articles 29.

##### RETURN OF CAPITAL RIGHTS:

On a return of capital on a liquidation or otherwise, the surplus assets of the company available for distribution among the members (after the payment of the company's liabilities including any debts arising from non-payment of Preference dividends) shall be applied in the following manner and order of priority:

(a) Firstly, in paying to each holder of Preference Shares in respect of each Preference Share it holds, an amount equal to all unpaid arrears and accruals of Preference Dividend thereon (and any interest thereon) calculated down to and including the date of payment and to be payable irrespective of what, if any, profits have been made or earned by the company and irrespective of whether or not such unpaid arrears and accruals have become due and payable in accordance with the provisions of the Articles;

# AUDIOTONIX GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 10 Share capital

(continued)

(b) Secondly, in paying to each holder of Preference Shares in respect of each Preference Share it holds, an amount equal to the Subscription Price of such Preference Shares; and

(c) Finally, the balance of such assets shall be distributed amongst the holders of the Ordinary Share in proportion to the number of such Ordinary Shares held by them respectively.

### 11 Share premium account

	2021 £'000	2020 £'000
At the beginning of the year	1,012	90
Issue of new shares	-	922
At the end of the year	<u>1,012</u>	<u>1,012</u>

### 12 Retained earnings

Other movements relates to an exceptional bonus funded by Audiotonix Group Ltd to a number of subsidiary companies' employees, and as a true and fair view judgement the arrangement has been accounted as a capital contribution to these subsidiary companies.

### 13 Capital risk management

The company is not subject to any externally imposed capital requirements.

### 14 Related party transactions

During the year the company entered into the following transactions with related parties:

	Preference share interest	
	2021 £'000	2020 £'000
Parent company	<u>21,187</u>	<u>-</u>

The following amounts were outstanding at the reporting end date:

	2021 £'000	2020 £'000
Amounts due to related parties		
Parent company	<u>21,187</u>	<u>-</u>

# AUDIOTONIX GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 14 Related party transactions

(continued)

The following amounts were outstanding at the reporting end date:

	2021 £'000	2020 £'000
<b>Amounts due from related parties</b>		
Subsidiaries	33,594	33,594

#### Other information

At the balance sheet date the company owed £21,187k to its immediate parent company Adele BidCo 2 Ltd, the amount relates solely to preference share interest which has accrued in the year.

At the balance sheet date, the company was owed £33,594k from wholly owned subsidiaries relating to intercompany loans. There has been no change in the balance in the year.

### 15 Ultimate controlling party

The company is a subsidiary of Audiotonix Holdings Limited (formerly Adele UK Topco Limited), which is majority owned by Ardian Buyout Fund VII B S.L.P. incorporated in 20 Place Vendome, 75001 Paris, France.

The smallest and largest group in which the results of the company are consolidated is that headed by Audiotonix Holdings Limited, incorporated in the UK.

The immediate parent company of Audiotonix Group Limited is Adele UK Bidco 2 Limited, the registered address of which is Unit 10, Silverglade Business Park, Leatherhead Road, Chessington, KT9 2QL.

Audiotonix Holdings Limited produces group accounts. Copies of these accounts can be obtained from Unit 10, Silverglade Business Park, Leatherhead Road, Chessington, KT9 2QL.

### 16 Cash absorbed by operations

	2021 £'000	2020 £'000
Loss for the year after tax	(21,187)	(19,240)
<b>Adjustments for:</b>		
Finance costs	21,187	19,240
<b>Cash absorbed by operations</b>		