## AUDIO UK 3 LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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## **COMPANY INFORMATION**

**Directors** 

J Barton

H M Culleton

J D Gordon

Secretary

J Barton

Company number

10636930

Registered office

Unit 10

Silverglade Business Park

Leatherhead Road Chessington Surrey KT9 2QL

**Auditor** 

KPMG LLP

Regus, 4th Floor Salt Quay House 6 North East Quay

Plymouth PL4 0HP

**Business address** 

Unit 10

Silverglade Business Park

Leatherhead Road Chessington

Surrey KT9 2QL

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## STRATEGIC REPORT

## FOR THE YEAR ENDED 31 MARCH 2020

The directors present the strategic report for the Year ended 31 March 2020.

## **Principal activity**

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

### **Review of business**

The company continued to operate as an intermediate holding company.

### 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 Group Limited, and how successful they are. These companies are ultimately managed by the directors and senior leadership team of Audiotonix Group 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 does not envisage Brexit having a significant impact on the company, based on the proportion of operations and cash flow generating elements of the business residing outside the European Union. The company is sensitive to foreign currency movements and details of this risk and mitigation thereof are outlined within notes to the accounts.

The Board will continue to follow the development of the UK's negotiations with the European Union and evaluate the impact on the company accordingly.

### Covid-19

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

On behalf of the board

J Barton Director

16 October 2020

## **DIRECTORS' REPORT**

## FOR THE YEAR ENDED 31 MARCH 2020

The directors present their annual report and financial statements for the Year ended 31 March 2020.

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

J Barton

H M Culleton

J D Gordon

F De Mitry

(Resigned 18 March 2020) (Resigned 18 March 2020)

M Beetz

S Epin

(Resigned 18 March 2020)

## Results and dividends

The results for the Year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

## Post reporting date events

At the time of this report, the Covid-19 pandemic has caused significant disruption to economic activity, financial markets and the daily lives of a significant part of the World's population. The pandemic is ongoing and the lasting effects on the world's economies is not yet known. The Company continues to manage its principal risks as explained above and believe that it is suitable to do so also in the face of the Covid-19 pandemic.

## **Auditor**

The auditor, KPMG LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

## DIRECTORS' REPORT (CONTINUED)

## FOR THE YEAR ENDED 31 MARCH 2020

## 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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 controls 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 the following information which would otherwise be required to be contained in the Report of the Directors:

## Review of the business; and

Indication of exposure to risk in relation to the valuation of investments

## 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

J Barton Director

16 October 2020

## INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF AUDIO UK 3 LIMITED

### **Opinion**

We have audited the financial statements of Audio UK 3 Limited ("the company") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. 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. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

## 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 AUDIO UK 3 LIMITED

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial Year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

## 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.

### Responsibilities of directors

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 for the audit of the financial statements

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 <a href="www.frc.org.uk/auditorsresponsibilities">www.frc.org.uk/auditorsresponsibilities</a>.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF AUDIO UK 3 LIMITED

## 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 (Senior Statutory Auditor)

for and on behalf of KPMG LLP Chartered Accountants

Statutory Auditor

16 Oct 2020

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

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest receivable and similar income	3	-	45,000
Profit before taxation		<del></del>	45,000
Tax on profit		•	-
Profit for the financial Year		-	45,000
			<del></del>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

## BALANCE SHEET AS AT 31 MARCH 2020

		2020		2019	
	Notes	£'000	£'000	£,000	£'000
Fixed assets					
Investments	5		167,315		167,315
Current assets					
Debtors	7	28,001		28,001	
Creditors: amounts falling due within					
one year	8	(28,001)		(28,001)	
Net current assets				<del></del>	-
Total assets less current liabilities			167,315		167,315
			<del></del>		<del></del>
Capital and reserves					
Called up share capital	9		167,315		167,315

The financial statements were approved by the board of directors and authorised for issue on 16 October 2020 and are signed on its behalf by:

J Balfon Director

Company Registration No. 10636930

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Share capital £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 April 2018		167,315	-	167,315
Period ended 31 March 2019: Profit and total comprehensive income for the period Dividends	4	- -	45,000 (45,000)	45,000 (45,000)
Balance at 31 March 2019		167,315		167,315
Period ended 31 March 2020: Profit and total comprehensive income for the period				<u>-</u>
Balance at 31 March 2020		167,315		167,315

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 1 Accounting policies

### Company information

Audio UK 3 Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit 10, Silverglade Business Park, Leatherhead Road, Chessington, Surrey, KT9 2QL.

## 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These financial statements for the Year ended 31 March 2020 are the first financial statements of Audio UK 3 Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 April 2018. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares:
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues':
   Carrying amounts, interest income/expense and net gains/losses for each category of financial
   instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details
   of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive
   income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Audiotonix Group Limited. These consolidated financial statements are available from its registered office, Unit 10 Silverglade Business Park, Leatherhead Road, Chessington, Surrey, England, KT9 2QL.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

## 1 Accounting policies

(Continued)

## 1.2 Going concern

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

Audio UK 3 Limited is a wholly owned subsidiary of Audiotonix Group Limited which in turn is now a wholly owned subsidiary of Adele UK Topco Limited. The company and group as a whole has extensive financial resources from its diversified income streams, sales in over 90 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 forecasts, give the directors confidence that the company has sufficient funding to continue to meet liabilities that fall due for at least 16 months from the date of approval of the financial statements, and as such they have been prepared on a going concern basis.

The directors have prepared cash flow forecasts for the group for a period to 31 March 2022 which indicate that, taking account of severe but plausible possible downsides, including the continued impact of COVID-19, the company will have sufficient funds, through funding from its intermediate parent company, Adele UK BidCo Limited, to meet its liabilities as they fall due for that period. The scenarios modelled include revenue reducing by 20% and 30% each month throughout the forecast period. In these scenarios, the directors have also assumed further action would be taken to reduce fixed direct and overhead costs from their current levels, with reductions of 10% and 15%, respectively, starting in January 2021.

Those forecasts are dependent on Adele UK BidCo Limited not seeking repayment of the amounts current due to the group, which at balance sheet date amounted to \$231m, and providing additional financial support during that period. Adele UK BidCo Limited has indicated its intention to continue to make available such funds as are needed by the group, and that it does not intend to seek repayment of the amounts due at the balance sheet date, 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.

Additionally, as a response to COVID-19, the group drew down into cash the whole of the available £50m revolving credit facility on 25 March 2020. Subsequent to year-end, the group continued to be cash generative, to such an extent that the group has since repaid the entirety of the drawn-down facility. As such, in addition to a cash and cash equivalent balance of approximately \$38m (approximately £30m), the group also has an undrawn revolving credit facility of £50m (approximately \$64m) available as of 30 September 2020.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 16 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## 1.3 Fixed asset 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 Taxation

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

## 1 Accounting policies

(Continued)

### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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.

## Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing 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 profit and loss account, 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.

## 2 Profit before taxation

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

The remuneration of the auditor in the current period was borne by another group company.

## 3 Interest receivable and similar income

			2020 £'000	2019 £'000
	Income from fixed asset investments Income from shares in group undertakings		<u>-</u>	45,000 ———
4	Dividends		2020 £'000	2019 £'000
	Interim paid			45,000
5	Fixed asset investments		2020	2019
		Notes	£,000	£.000
	Investments in subsidiaries	6	167,315	167,315

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

# Movements in fixed asset investments Shares in group undertakings £'000 Cost or valuation At 1 April 2019 & 31 March 2020 Carrying amount At 31 March 2020 At 31 March 2019 At 31 March 2019

## 6 Subsidiaries

Details of the company's subsidiaries at 31 March 2020 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held Direct
A6 Audio Bidco Limited	b	Management company	Ordinary	100.00
Audiotonix Limted	b	Management company	Ordinary	100.00
Console Midco Limited	b	Dormant holding company	Ordinary	100.00
Console Bidco Limited	b	Management company	Ordinary	100.00
Console Lowco Limited	b	Dormant holding company	Ordinary	100.00
Mixer Bidco Limited	С	Dormant holding company	Ordinary	100.00
Calrec Audio Limited	С	Audio	Ordinary	100.00
Remix Topco Limted	а	Dormant holding company	Ordinary	100.00
Remix Bidco Limited	а	Dormant holding company	Ordinary	100.00
Allen & Heath Limited	а	Audio	Ordinary	100.00
DiGiCo Global Limited	b	Dormant holding company	Ordinary	100.00
DiGiCo Europe Limited	b	Dormant holding company	Ordinary	100.00
DiGiCo UK Limited	b	Audio	Ordinary	100.00
DiGiCo Limited	b	Dormant	Ordinary	100.00
Group One Limited	d	Audio	Ordinary	100.00
BlueSky International	d	Dormant	Ordinary	50.00
Solid State Logic Holdings Ltd	е	Dormant	Ordinary	100.00
Solid State Logic UK Limited	е	Audio	Ordinary	100.00
Solid State Logic Inc	f	Audio	Ordinary	100.00
Solid State Logic SARL	g	Audio	Ordinary	100.00
Solid State Logic Limited	е	Dormant	Ordinary	100.00
Klang: technologies GmbH	h	Audio	Ordinary	100.00

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

6	Subsidiaries		(Continued)
	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		
7	Debtors	2020	2019
	Amounts falling due within one year:	£,000	£'000
	Amounts owed by group undertakings	28,001	28,001
8	Creditors: amounts falling due within one year		
		2020 £'000	2019 £'000
	Amounts owed to group undertakings	28,001	28,001
9	Share capital		
		2020 £'000	2019 £'000
	Ordinary share capital		
	Issued and fully paid	467.045	467.045
	16,731,513,409 Ordinary shares of 1p each	167,315	167,315

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

## 10 Ultimate controlling party

Until 18th March 2020 the company was a subsidiary of Astorg VI Luxembourg Special LP, which is the ultimate parent company and ultimate controlling party incorporated in Luxembourg. Astorg VI Luxembourg Special LP registered address is Astorg Asset Management sarl, 2F Rue Albert Borschette, L-1246 Luxembourg, Grand-Duchy of Luxembourg. The largest group in which the results of the company were consolidated was that headed up by Astorg VI Luxembourg LP, incorporated in Luxembourg.

Since 18th March 2020 the company has been a subsidiary of 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 group in which the results of the company are consolidated is that headed by Audiotonix Group Limited, incorporated in the UK.

The immediate parent company of Audio UK 3 Limited is Audio UK 2 Limited, its registered address is Unit 10, Silverglade Business Park, Leatherhead Road, Chessington, KT9 2QL.

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