

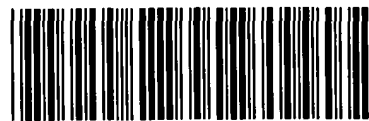
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**OPTIMAL AUDIO GROUP LIMITED**

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**REPORT AND FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 29 DECEMBER 2019**

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## OPTIMAL AUDIO GROUP LIMITED

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### COMPANY INFORMATION

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<b>Directors</b>	T. Carroll (appointed 30 December 2019) P. Dudderidge (appointed 30 December 2019) D. Harter S. Miller J. Wilson (appointed 30 December 2019) J. Browning (resigned 30 December 2019) P. Hart (resigned 30 December 2019) D. Gluckman (appointed 25 July 2019, resigned 30 December 2019) M. Ward (resigned 27 June 2018) P. Weston (resigned 30 December 2019) A. Wilby (resigned 25 July 2019)
<b>Company secretary</b>	F. Godrich
<b>Registered number</b>	11341979
<b>Registered office</b>	Unit 2 Century Point, Halifax Road Cressex Business Park High Wycombe Buckinghamshire HP12 3SL

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## OPTIMAL AUDIO GROUP LIMITED

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## **OPTIMAL AUDIO GROUP LIMITED**

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### **GROUP STRATEGIC REPORT FOR THE PERIOD ENDED 29 DECEMBER 2019**

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#### **Introduction**

The principal activity of Optimal Audio Group Limited (the Group) is developing businesses in the professional audio systems market. The Group is known in the industry for supporting commercial installations, tours and events across the globe. The Group is seeking potential acquisition targets.

#### **Business review**

The Directors consider that the Group's main objective is to deliver long term growth and profit through the delivery of premium pro audio products and the acquisition of high-quality technology or companies in the professional audio sector. The global market for professional audio systems is estimated to be worth £1.1bn per annum.

The statement of comprehensive income for the period ended 29 December 2019 represents a positive performance for the period.

Turnover of the business increased by 110% from £11.8m to £24.8m, as a result of reporting a full 12 months of revenue as against the previous 6 months, as well as new product launches, market, channel and development strategies. The business experienced significant growth in its export markets.

The Group continues its rapid drive to add new products to its portfolio, and introducing completely new lines to extend market reach. In total, eighteen new products have recently been brought to market across electronics, subwoofers and loudspeakers as well as new strategic partnerships.

All products either met or exceeded forecasts, and there is optimism for the medium term opportunity these products represent.

The Group is forecasting to announce a considerable number of new products during the 2020 year and preparation of the 2021 product development programme is progressing well.

The 2019 business performance has been strong, with EBITDA for 2019 of c£4.0m before transaction costs related to the acquisition by Focusrite PLC. Since the transaction, the Board has appointed Directors with significant experience across the music, distribution and finance industries. The Group now has access to the considerable resources of Focusrite PLC to support the development of the Group.

There have been no changes to the operation staff within the business as a result of the transaction.

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## OPTIMAL AUDIO GROUP LIMITED

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### GROUP STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 29 DECEMBER 2019

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#### Principal risks and uncertainties

The Directors are aware of the risks inherent in manufacturing and in the music industry generally and keep these under constant review.

The risks to staff, the public, customers and end users are negated by maintaining high quality standards in manufacture, the adoption of best practice in health and safety, and the Group's compliance with relevant environmental and safety regulations.

Continuity of the Group's supply chain is ensured by maintaining close links and collaboration with its suppliers both in the UK and overseas.

The businesses have been focussed on ensuring it has a rock solid infrastructure as a basis for extending its global reach and extending market share.

The distribution of the Group's products worldwide is always through trusted distributors whose performance is reviewed regularly to ensure that the risk is minimised. The Group continues to set high standards of product quality, functionality, reliability, and value for money in order to maintain its competitiveness.

Uncertainties of exchange rate fluctuation and the economic conditions in our export destinations pose an ongoing risk to the business, but these are closely monitored by the Directors to minimise the Group's exposure as far as possible. The Group also seeks to convert customers to trading in sterling wherever possible.

Group sales to EU countries represent a reasonable proportion of the Groups overall turnover and the terms of the UKs exit from the EU will be a focus of attention for the Directors who will endeavour to keep abreast of developments and will seek to pursue every opportunity that this may present. The Directors have developed contingency plans with suppliers, and alternative routes to market in the event of Brexit causing disruption to trading.

Martin is aware of its obligations under the General Data Protection Regulation (GDPR), and will seek to pursue every opportunity to ensure the issue is effectively addressed.

The accompanying financial statements have been prepared assuming the company will continue as a going concern. The business currently has over £4.3m in cash in its group accounts, which the Directors believe is more than sufficient for the next 12 months trading, and recent months trading continues to show strong business performance.

#### Foreign exchange and transactional currency exposure

Uncertainties of exchange rate fluctuation and the economic conditions in our export destinations pose an ongoing risk to the business. The Group has some exposure to currency risk due to a proportion of its receivables and operating expenses not being denominated in sterling. The Directors monitor the exchange risk, and review hedging requirements on an ongoing basis.

#### Covid-19

The Directors have assessed the business and whilst it has been impacted by reduced levels of profitability in the immediate term, it is reasonably expected to return to pre-Covid levels of profitability over the next 12 months. In their assessment of going concern the Directors have considered the current and ongoing impact on the business as a result of the Covid-19 virus. The most pressing challenge Covid-19 represents is to demand. Our industry does not have experience of a similar global crisis, nor how long the impact of the pandemic will last.

We have prepared and modelled varying levels of sales, and forecast the potential for supply chain disruption in the immediate term. This is not expected to have a significant impact on the Groups operations in the immediate term, albeit, there has been some impact to the organisation in the short term. The Company has been profitable

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## OPTIMAL AUDIO GROUP LIMITED

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### GROUP STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 29 DECEMBER 2019

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during the Covid-19 crisis, albeit, at a lower level than had been budgeted. The Group is not relying on the pandemic passing, but is adapting to this new normal, with new ways to serve customers.

The Directors have modelled the current situation continuing for a prolonged period, and have stress tested cash flows and revenue forecasts. Having regard to the above, the Directors believe it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

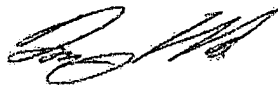
#### Customer credit exposure

The Group may offer credit terms to its customers, which allow the payment of goods after the delivery of services. The Company has a risk that the customer will not be able to pay for the goods, on the specified due date. The Company mitigates this risk with ongoing relationships with customers, and distributors, and credit control processes supported with a global credit agency.

#### **Financial key performance indicators**

Whilst the board considers a number of KPI's in monitoring quality and customer services, the main financial KPI's are order input, Gross profit and EBITDA, the continued investment in all employees and Research and Development. The Company maintains the highest quality of standards in design and manufacture, and closely monitors the feedback of users.

This report was approved by the board and signed on its behalf.



**D. Harter**  
Director

Date: 1 October 2020

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## OPTIMAL AUDIO GROUP LIMITED

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### DIRECTORS' REPORT FOR THE PERIOD ENDED 29 DECEMBER 2019

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The directors present their report and the financial statements for the period ended 29 December 2019.

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Results and dividends**

The profit for the period, after taxation, amounted to £1,150,321 (2018 - £254,169).

No dividends have been declared for the period.

#### **Directors**

The directors who served during the period were:

D. Harter  
S. Miller  
J. Browning (resigned 30 December 2019)  
D. Gluckman (appointed 25 July 2019, resigned 30 December 2019)  
P. Hart (resigned 30 December 2019)  
M. Ward (resigned 27 June 2018)  
P. Weston (resigned 30 December 2019)  
A. Wilby (resigned 25 July 2019)

#### **Future developments**

The Group is currently reviewing acquisition opportunities in the marketplace.

The 2020 development and launch programme is progressing on plan.

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**OPTIMAL AUDIO GROUP LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE PERIOD ENDED 29 DECEMBER 2019**

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**Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

**Post balance sheet events**

The Group was acquired by Focusrite PLC on 30th December 2019.

**Auditor**

The auditor, Crowe U.K. LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



**D. Harter**  
Director

Date:

1/10/20



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## OPTIMAL AUDIO GROUP LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OPTIMAL AUDIO GROUP LIMITED

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#### Opinion

We have audited the financial statements of OPTIMAL AUDIO GROUP LIMITED (the 'parent Company') and its subsidiaries (the 'Group') for the period ended 29 December 2019, which comprise the Group Statement of comprehensive income, the Group and Company Balance sheets, the Group Statement of cash flows, the Group and Company Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 29 December 2019 and of the Group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our

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## OPTIMAL AUDIO GROUP LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OPTIMAL AUDIO GROUP LIMITED (CONTINUED)

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knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the Group strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Group 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**

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

#### **Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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 the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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**OPTIMAL AUDIO GROUP LIMITED**

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

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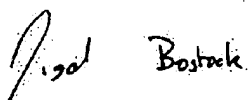
**Auditor's responsibilities for the audit of the financial statements**

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 an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.

**Use of our report**

This report is made solely to the Company's members 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 for our audit work, for this report, or for the opinions we have formed.



Nigel Bostock (Senior statutory auditor)

for and on behalf of

**Crowe U.K. LLP**

Statutory Auditor

St Bride's House  
10 Salisbury Square

London

EC4Y 8EH

Date: 2 October 2020

OPTIMAL AUDIO GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 29 DECEMBER 2019

	Note	2019 £	2018 £
Turnover		24,892,429	11,810,559
Cost of sales		(12,879,638)	(8,954,397)
<b>Gross profit</b>		<b>12,012,791</b>	<b>2,856,162</b>
Distribution costs		(3,538,331)	(424,063)
Administrative expenses		(5,632,396)	(1,480,260)
Exceptional administrative expenses		(477,434)	-
<b>Operating profit</b>		<b>2,364,630</b>	<b>951,839</b>
Interest receivable and similar income		73	-
Interest payable and expenses		(1,404,468)	(673,851)
<b>Profit before tax</b>		<b>960,235</b>	<b>277,988</b>
Tax on profit		167,971	(23,819)
<b>Profit for the financial period</b>		<b>1,128,206</b>	<b>254,169</b>
<b>Other comprehensive income for the period</b>			
Currency translation differences		22,114	8,338
<b>Other comprehensive income for the period</b>		<b>22,114</b>	<b>8,338</b>
<b>Total comprehensive income for the period</b>		<b>1,150,320</b>	<b>262,507</b>

The notes on pages 16 to 37 form part of these financial statements.


**OPTIMAL AUDIO GROUP LIMITED**  
**REGISTERED NUMBER: 11341979**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 29 DECEMBER 2019**

	Note	29 December 2019 £	31 December 2018 £
<b>Fixed assets</b>			
Intangible assets	13	8,196,381	8,904,910
Tangible assets	14	289,876	341,224
		<u>8,486,257</u>	<u>9,246,134</u>
<b>Current assets</b>			
Stocks	16	6,135,026	4,980,278
Debtors: amounts falling due within one year	17	3,770,054	2,777,468
Cash at bank and in hand	18	4,300,558	3,201,330
		<u>14,205,638</u>	<u>10,959,076</u>
Creditors: amounts falling due within one year	19	(6,193,350)	(6,279,418)
<b>Net current assets:</b>		<u>8,012,288</u>	<u>4,679,658</u>
<b>Total assets less current liabilities:</b>		<u>16,498,545</u>	<u>13,925,792</u>
Creditors: amounts falling due after more than one year	20	(14,792,351)	(13,373,139)
<b>Net assets excluding pension asset:</b>		<u>1,706,194</u>	<u>552,653</u>
<b>Net assets</b>		<u>1,706,194</u>	<u>552,653</u>
<b>Capital and reserves</b>			
Called up share capital	24	3,230	3,123
Share premium account		290,137	287,023
Foreign exchange reserve		30,452	8,338
Profit and loss account		1,382,375	254,169
<b>Equity attributable to owners of the parent Company</b>		<u>1,706,194</u>	<u>552,653</u>
		<u>1,706,194</u>	<u>552,653</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 October 2020.

D. Harter  
Director



**OPTIMAL AUDIO GROUP LIMITED**  
**REGISTERED NUMBER: 11341979**

**COMPANY BALANCE SHEET**  
**AS AT 29 DECEMBER 2019**

	Note	29 December 2019 £	31 December 2018 £
<b>Fixed assets</b>			
Intangible assets	13	24,850	-
Tangible assets	14	487	-
Investments	15	11,899,645	11,899,645
		<u>11,924,982</u>	<u>11,899,645</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	17	42,348	894,802
Cash at bank and in hand	18	815,352	-
		<u>857,700</u>	<u>894,802</u>
Creditors: amounts falling due within one year	19	(234,986)	(50,000)
<b>Net current assets</b>		<u>622,714</u>	<u>844,802</u>
<b>Total assets less current liabilities</b>		<u>12,547,696</u>	<u>12,744,447</u>
Creditors: amounts falling due after more than one year	20	(14,792,351)	(13,373,139)
<b>Net assets excluding pension asset</b>		<u>(2,244,655)</u>	<u>(628,692)</u>
<b>Net liabilities</b>		<u>(2,244,655)</u>	<u>(628,692)</u>
<b>Capital and reserves</b>			
Called up share capital	24	3,230	3,123
Share premium account		290,137	287,023
Profit and loss account brought forward		(918,838)	-
Loss for the period		(1,619,184)	(918,838)
Profit and loss account carried forward		<u>(2,538,022)</u>	<u>(918,838)</u>
		<u>(2,244,655)</u>	<u>(628,692)</u>

The loss after tax of the parent Company for the period was £1,619,184 (2018 - loss £918,838).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 October 2020.

D. Harter  
Director



OPTIMAL AUDIO GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 29 DECEMBER 2019

	Called up share capital	Share premium account	Foreign exchange reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2019	3,123	287,023	8,338	254,169	552,653
<b>Comprehensive income for the period</b>					
Profit for the period	-	-	-	1,128,206	1,128,206
Currency translation differences	-	-	22,114	-	22,114
<b>Other comprehensive income for the period</b>	-	-	22,114	-	22,114
<b>Total comprehensive income for the period</b>	-	-	22,114	1,128,206	1,150,320
Shares issued during the period	107	3,114	-	-	3,221
<b>Total transactions with owners</b>	107	3,114	-	-	3,221
<b>At 29 December 2019</b>	<b>3,230</b>	<b>290,137</b>	<b>30,452</b>	<b>1,382,375</b>	<b>1,706,194</b>

The notes on pages 16 to 37 form part of these financial statements.

OPTIMAL AUDIO GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 DECEMBER 2018

	Called up share capital £	Share premium account £	Foreign exchange reserve £	Profit and loss account £	Total equity £
<b>Comprehensive income for the period</b>					
Profit for the period	-	-	-	254,169	254,169
Currency translation differences	-	-	8,338	-	8,338
<b>Other comprehensive income for the period</b>	-	-	8,338	-	8,338
<b>Total comprehensive income for the period</b>	-	-	8,338	254,169	262,507
Shares issued during the period	3,123	287,023	-	-	290,146
<b>Total transactions with owners</b>	3,123	287,023	-	-	290,146
<b>At 31 December 2018</b>	3,123	287,023	8,338	254,169	552,653

The notes on pages 16 to 37 form part of these financial statements.



OPTIMAL AUDIO GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 29 DECEMBER 2019

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
<b>Comprehensive income for the period</b>				
Loss for the period	-	-	(918,838)	(918,838)
	-	-	(918,838)	(918,838)
<b>Total comprehensive income for the period</b>				
<b>Contributions by and distributions to owners</b>				
Shares issued during the period	3,123	287,023	-	290,146
<b>Total transactions with owners</b>	3,123	287,023	-	290,146
<b>At 1 January 2019</b>	3,123	287,023	(918,838)	(628,692)
<b>Comprehensive income for the period</b>				
Loss for the period	-	-	(1,619,184)	(1,619,184)
	-	-	(1,619,184)	(1,619,184)
<b>Total comprehensive income for the period</b>				
<b>Contributions by and distributions to owners</b>				
Shares issued during the period	107	3,114	-	3,221
<b>Total transactions with owners</b>	107	3,114	-	3,221
<b>At 29 December 2019</b>	3,230	290,137	(2,538,022)	(2,244,655)

The notes on pages 16 to 37 form part of these financial statements.

OPTIMAL AUDIO GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 29 DECEMBER 2019

	29 December 2019 £	31 December 2018 £
<b>Cash flows from operating activities</b>		
Profit for the financial period	1,128,206	254,169
<b>Adjustments for:</b>		
Amortisation of intangible assets	992,022	468,679
Depreciation of tangible assets	124,104	97,983
Interest paid	1,419,212	673,851
Interest received	(73)	-
Taxation charge	(168,568)	23,819
(Increase)/decrease in stocks	(1,154,748)	725,315
(Increase) in debtors	(824,018)	(559,457)
(Decrease)/increase in creditors	(86,068)	569,276
Foreign exchange	22,114	8,338
<b>Net cash generated from operating activities</b>	<b>1,452,183</b>	<b>2,261,973</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(356,249)	(199,997)
Acquisition of Subsidiary, net of cash acquired	-	(11,850,080)
Interest received	73	-
<b>Net cash from investing activities</b>	<b>(356,176)</b>	<b>(12,050,077)</b>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	3,221	290,146
New secured & unsecured loan notes (Net received)	-	12,699,288
<b>Net cash used in financing activities</b>	<b>3,221</b>	<b>12,989,434</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,099,228</b>	<b>3,201,330</b>
Cash and cash equivalents at beginning of period	3,201,330	-
<b>Cash and cash equivalents at the end of period</b>	<b>4,300,558</b>	<b>3,201,330</b>
<b>Cash and cash equivalents at the end of period comprise:</b>		
Cash at bank and in hand	4,300,558	3,201,330
	<b>4,300,558</b>	<b>3,201,330</b>

The notes on pages 16 to 37 form part of these financial statements.

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## OPTIMAL AUDIO GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 DECEMBER 2019

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#### 1. General information

The Company is a private company, limited by shares, incorporated in England and Wales with its registered office at Unit 2 Century Point Halifax Road, Cressex Business Park, High Wycombe, Buckinghamshire, England, HP12 3SL. Its principal activity during the year is to act as the holding company for the activities undertaken by Martin Audio Limited and Martin Audio, US, LLC.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The group accounts have been prepared for the period from 1 January 2019 to 29 December 2019.

The following principal accounting policies have been applied:

##### 2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 02 May 2018.

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## OPTIMAL AUDIO GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 DECEMBER 2019

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#### 2. Accounting policies (continued)

##### 2.3 Foreign currency translation

###### Functional and presentation currency

The Company's functional and presentational currency is GBP.

###### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

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## OPTIMAL AUDIO GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 DECEMBER 2019

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## 2. Accounting policies (continued)

### 2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

#### **Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

### 2.5 Operating leases

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 31 May 2018 to continue to be charged over the period to the first market rent review rather than the term of the lease.

### 2.6 Interest income

Interest income is recognised in profit or loss using the effective interest method.

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## OPTIMAL AUDIO GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 DECEMBER 2019

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## 2. Accounting policies (continued)

### 2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### 2.8 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 2.9 Pensions

#### Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

### 2.10 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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## OPTIMAL AUDIO GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 DECEMBER 2019

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#### 2. Accounting policies (continued)

##### 2.11 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

##### 2.12 Intangible assets

###### Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated statement of comprehensive income over its useful economic life.

###### Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Software	-	4	years
Goodwill	-	10	years

##### 2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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## OPTIMAL AUDIO GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 DECEMBER 2019

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#### 2. Accounting policies (continued)

##### 2.13 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long-term leasehold property	-
Plant and machinery	- 25%
Computer equipment	- 25%
Assets under construction	- Are not amortised until available for use

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

##### 2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

##### 2.15 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

##### 2.16 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### 2.17 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.



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## OPTIMAL AUDIO GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 DECEMBER 2019

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#### 2. Accounting policies (continued)

##### 2.18 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

##### 2.19 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

#### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in compliance with FRS 102 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 underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements include estimation, where applicable, for items relating to revenue recognition, property provisions, impairment of investments and goodwill, valuation of stock, the recoverability of receivables, goodwill, amortisation of goodwill and foreign exchange impact on goodwill.

#### 4. Turnover

	2019 £	2018 £
United Kingdom	3,033,078	1,259,458
EMEA	6,531,915	3,089,226
Asia	6,703,810	3,031,632
North America	6,688,353	4,179,431
Rest of World	1,935,273	250,812
	<u>24,892,429</u>	<u>11,810,559</u>

OPTIMAL AUDIO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 29 DECEMBER 2019

5. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Exchange differences	10,349	-

6. Auditor's remuneration

	2019 £	2018 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	55,627	32,500

Fees payable to the Group's auditor and its associates in respect of:

Taxation compliance services	5,500	5,500
	5,500	5,500

7. Employees

Staff costs were as follows:

	Group 29 December 2019 £	Group 31 December 2018 £	Company 29 December 2019 £
Wages and salaries	4,599,024	1,549,478	49,952
Wages and salaries	336,280	180,292	7,061
Wages and salaries	124,546	57,056	-
	5,059,850	1,786,826	57,013

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OPTIMAL AUDIO GROUP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 29 DECEMBER 2019

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The average monthly number of employees, including the directors, during the period was as follows:

	2019 No.	2018 No.
Manufacturing	27	26
Sales and distribution	48	41
	<u>75</u>	<u>67</u>

8. Directors' remuneration

Directors' remuneration

The highest paid director received remuneration of £NIL (2018 - £NIL).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2018 - £NIL).

9. Interest receivable

	2019 £	2018 £
Other interest receivable	73	-
	<u>73</u>	<u>-</u>

10. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	1,404,468	673,851
	<u>1,404,468</u>	<u>673,851</u>

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OPTIMAL AUDIO GROUP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 29 DECEMBER 2019

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**11. Taxation**

	2019 £	2018 £
<b>Corporation tax</b>		
Current tax on profits for the year	596	23,819
	<u>596</u>	<u>23,819</u>
<b>Total current tax</b>	<u>596</u>	<u>23,819</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(168,567)	-
	<u>(168,567)</u>	<u>-</u>
<b>Total deferred tax</b>	<u>(168,567)</u>	<u>-</u>
<b>Taxation on (loss)/profit on ordinary activities</b>	<u>(167,971)</u>	<u>23,819</u>

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OPTIMAL AUDIO GROUP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 29 DECEMBER 2019

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**11. Taxation (continued)**

**Factors affecting tax charge for the period**

The tax assessed for the period is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19 % (2018 - 19 %). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<b>960,235</b>	<b>277,988</b>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19 % (2018 - 19 %)	<b>182,445</b>	<b>52,818</b>
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	<b>1,359</b>	-
Capital allowances for period in excess of depreciation	<b>2,017</b>	-
Utilisation of tax losses	-	(28,999)
Adjustments to tax charge in respect of prior periods	<b>(25)</b>	-
Consolidation and overseas	<b>256,746</b>	-
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	<b>(52,858)</b>	-
Effect of change in tax rate on deferred tax	<b>(108,990)</b>	-
Deferred tax not recognised (movement)	<b>(449,286)</b>	-
Overseas tax	<b>621</b>	-
<b>Total tax charge for the period</b>	<b>(167,971)</b>	<b>23,819</b>

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

**OPTIMAL AUDIO GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 29 DECEMBER 2019**

**12. Exceptional items**

	2019 £	2018 £
Exceptional items	477,434	-
	<u>477,434</u>	<u>-</u>

The exceptional costs incurred were predominately legal professional costs related to the advice required to the Group in relation to the acquisition by Focusrite which occurred shortly after the year end.

**13. Intangible assets**

**Group**

	Computer software £	Goodwill £	Total £
<b>Cost</b>			
At 1 January 2019	-	9,373,589	9,373,589
Additions	141,096	-	141,096
Reclassified to held for sale	601,829	-	601,829
	<u>742,925</u>	<u>9,373,589</u>	<u>10,116,514</u>
At 29 December 2019			
<b>Amortisation</b>			
At 1 January 2019	-	468,679	468,679
Charge for the period on owned assets	59,703	932,319	992,022
Reclassified to held for sale	459,432	-	459,432
	<u>519,135</u>	<u>1,400,998</u>	<u>1,920,133</u>
At 29 December 2019			
<b>Net book value</b>			
At 29 December 2019	<u>223,790</u>	<u>7,972,591</u>	<u>8,196,381</u>
At 31 December 2018	<u>-</u>	<u>8,904,910</u>	<u>8,904,910</u>

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OPTIMAL AUDIO GROUP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 29 DECEMBER 2019

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13. Intangible assets (continued)

Company

	Computer software £
<b>Cost</b>	
Additions	24,850
At 29 December 2019	<u>24,850</u>
<b>Net book value</b>	
At 29 December 2019	<u>24,850</u>
At 31 December 2018	<u>          </u>

OPTIMAL AUDIO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 29 DECEMBER 2019

14. Tangible fixed assets

Group

	Long-term leasehold property £	Plant and machinery £	Assets under construction £	Total £
<b>Cost or valuation</b>				
At 1 January 2019	495,678	2,370,720	195,928	3,062,326
Additions	11,009	204,144	-	215,153
Transfers between classes	-	(405,901)	(195,928)	(601,829)
At 29 December 2019	506,687	2,168,963	-	2,675,650
<b>Depreciation</b>				
At 1 January 2019	495,678	2,225,424	-	2,721,102
Charge for the period on owned assets	1,954	122,150	-	124,104
Transfers between classes	-	(459,432)	-	(459,432)
At 29 December 2019	497,632	1,888,142	-	2,385,774
<b>Net book value</b>				
At 29 December 2019	9,055	280,821	-	289,876
At 31 December 2018	-	145,296	195,928	341,224



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OPTIMAL AUDIO GROUP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 29 DECEMBER 2019

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14. Tangible fixed assets (continued)

Company

	Plant and machinery £
<b>Cost or valuation</b>	
Additions	650
At 29 December 2019	650
<b>Depreciation</b>	
Charge for the period on owned assets	163
At 29 December 2019	163
<b>Net book value</b>	
At 29 December 2019	487
At 31 December 2018	-

**OPTIMAL AUDIO GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 29 DECEMBER 2019**

**15. Fixed asset investments**

**Company**

	<b>Investments in subsidiary companies £</b>
<b>Cost or valuation</b>	
At 1 January 2019	<b>11,899,645</b>
At 29 December 2019	<b>11,899,645</b>

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Registered office</b>	<b>Class of shares</b>	<b>Holding</b>
Martin Audio Limited	Unit 2 Century Point, Halifax Road Cressex Business Park, High Wycombe, Buckinghamshire, HP12 3SL	Ordinary	100%
Martin Audio, US, LLC	3108 Glendale Blvd, Glendale, CA 90039	Ordinary	100%

**16. Stocks**

	<b>Group 29 December 2019 £</b>	<b>Group 31 December 2018 £</b>
Raw materials and consumables	<b>886,484</b>	2,746,614
Work in progress (goods to be sold)	<b>87,964</b>	396,593
Finished goods and goods for resale	<b>5,160,578</b>	1,837,071
	<b>6,135,026</b>	4,980,278

The difference between purchase price or production cost of stocks and their replacement cost is not material.

OPTIMAL AUDIO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 29 DECEMBER 2019

17. Debtors

	Group 29 December 2019 £	Group 31 December 2018 £	Company 29 December 2019 £	Company 31 December 2018 £
Trade debtors	2,811,934	1,796,926	-	-
Amounts owed by group undertakings	-	-	42,348	750,000
Other debtors	338,267	568,574	-	144,802
Prepayments and accrued income	413,458	374,140	-	-
Deferred taxation	206,395	37,828	-	-
	<b>3,770,054</b>	<b>2,777,468</b>	<b>42,348</b>	<b>894,802</b>

18. Cash and cash equivalents

	Group 29 December 2019 £	Group 31 December 2018 £	Company 29 December 2019 £	Company 31 December 2018 £
Cash at bank and in hand	4,300,558	3,201,330	815,352	-
	<b>4,300,558</b>	<b>3,201,330</b>	<b>815,352</b>	<b>-</b>

19. Creditors: Amounts falling due within one year

	Group 29 December 2019 £	Group 31 December 2018 £	Company 29 December 2019 £	Company 31 December 2018 £
Trade creditors	3,373,583	2,365,587	63,538	-
Amounts owed to group undertakings	-	-	127,695	-
Other taxation and social security	108,472	23,333	4,070	-
Other creditors	73,444	82,660	6,633	50,000
Accruals and deferred income	2,637,851	3,807,838	33,050	-
	<b>6,193,350</b>	<b>6,279,418</b>	<b>234,986</b>	<b>50,000</b>

OPTIMAL AUDIO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 29 DECEMBER 2019

20. Creditors: Amounts falling due after more than one year

	<b>Group</b> <b>29</b> <b>December</b> <b>2019</b> <b>£</b>	<i>Group</i> <i>31</i> <i>December</i> <i>2018</i> <i>£</i>	<b>Company</b> <b>29</b> <b>December</b> <b>2019</b> <b>£</b>	<i>Company</i> <i>31</i> <i>December</i> <i>2018</i> <i>£</i>
Bank loans	<b>14,792,351</b>	-	<b>14,792,351</b>	-
Other loans	-	13,373,139	-	13,373,139
	<b>14,792,351</b>	13,373,139	<b>14,792,351</b>	13,373,139

21. Loans

The maturity date of the following loan notes is seven years from the date of the instrument, being 29 June 2025. Until the loan notes are repaid or prepaid in accordance with the provisions of this Instrument, the Company shall pay the Noteholders interest on the Principal Amount.

	<b>Group</b> <b>29</b> <b>December</b> <b>2019</b> <b>£</b>	<i>Group</i> <i>31</i> <i>December</i> <i>2018</i> <i>£</i>	<b>Company</b> <b>29</b> <b>December</b> <b>2019</b> <b>£</b>	<i>Company</i> <i>31</i> <i>December</i> <i>2018</i> <i>£</i>
<b>Amounts falling due 2-5 years</b>				
Bank loans	<b>14,792,351</b>	-	<b>14,792,351</b>	-
<b>Amounts falling due after more than 5 years</b>				
Secured and unsecured loan notes	-	13,373,139	-	13,373,139
	-	13,373,139	-	13,373,139
	<b>14,792,351</b>	13,373,139	<b>14,792,351</b>	13,373,139

**OPTIMAL AUDIO GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 29 DECEMBER 2019**

**22. Financial instruments**

	<b>29 December Group 2019 £</b>	<b>31 December Group 2018 £</b>
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	<b>4,300,558</b>	3,201,330
Financial assets that are debt instruments measured at amortised cost	<b>2,824,805</b>	2,315,880
	<u><b>7,125,363</b></u>	<u>5,517,210</u>
<b>Financial liabilities</b>		
Other financial liabilities measured at fair value through profit or loss	-	(6,256,086)
Financial liabilities measured at amortised cost	<b>(20,877,228)</b>	(13,373,139)
	<u><b>(20,877,228)</b></u>	<u>(19,629,225)</u>

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors and other debtors.

Other financial liabilities measured at fair value through profit or loss comprise trade creditors, other creditors and accruals.

Financial liabilities measured at amortised cost comprise loan notes and bank loans.

**23. Deferred taxation**

**Group**

	<b>2019 £</b>	<b>2018 £</b>
At beginning of year	<b>37,828</b>	37,828
Charged to profit or loss	<b>168,567</b>	-
<b>At end of year</b>	<u><b>206,395</b></u>	<u>37,828</u>

**OPTIMAL AUDIO GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 29 DECEMBER 2019**

**23. Deferred taxation (continued)**

	<b>Group 29 December 2019 £</b>	<i>Group 31 December 2018 £</i>
Accelerated capital allowances	117,172	(20,214)
Tax losses carried forward	-	58,042
Other short term timing differences	89,223	-
	<b>206,395</b>	<i>37,828</i>

**24. Share capital**

	<b>29 December 2019 £</b>	<i>31 December 2018 £</i>
<b>Allotted, called up and fully paid</b>		
72,763 (2018 - 72,763) Ordinary A shares of £0.01 each	728	728
4,881 (2018 - 4,730) Ordinary B shares of £0.10 each	488	473
20,144 (2018 - 19,215) Ordinary C shares of £0.10 each	2,014	1,922
	<b>3,230</b>	<i>3,123</i>

The above shares were issued during the period ending 31 December 2019.

**25. Pension commitments**

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £124,546 (2018- £93,119).

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**26. Commitments under operating leases**

At 29 December 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>Group 29 December 2019 £</b>	<i>Group 31 December 2018 £</i>
<b>Land and buildings</b>		
Not later than 1 year	<b>316,464</b>	316,467
Later than 1 year and not later than 5 years	<b>235,322</b>	551,786
	<b>551,786</b>	868,253
	<b>Group 29 December 2019 £</b>	<i>Group 31 December 2018 £</i>
<b>Other</b>		
Not later than 1 year	<b>3,490</b>	5,344
Later than 1 year and not later than 5 years	<b>2,520</b>	7,878
	<b>6,010</b>	13,222

In the year £320,601 of lease payments have been recognised as an expense.

**27. Related party transactions**

FRS 102 does not require disclosure of transactions entered into between two or members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly owned by a member of that group. The company has taken advantage of this available exemption.

There are no key management personnel other than directors.

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#### 28. Post balance sheet events

##### COVID-19

Since the year end, it has become clear that the spread of the Covid-19 coronavirus will have a material impact on many economies globally both through the effects of the virus itself and the measures taken by governments to restrict its spread.

Given the emergence and spread of the Covid-19 virus is not considered to provide more information about conditions that existed as at the balance sheet date, this is considered to be a non-adjusting post balance sheet event and so the measurement of assets and liabilities in the accounts have not been adjusted for its potential impact. The directors have set out the post year end impact on going concern in note 2.

##### Acquisition of the business

The Group was acquired by Focusrite PLC on 30th December 2019.

#### 29. Controlling party

Up to the 29 December 2019 there is no ultimate controlling party for Optimal Audio Group Limited, and it is not consolidated at a higher level.

On the 30 December 2019 (post year end) Focusrite Plc acquired the entire share capital of Optimal Audio Group Limited, and in so doing has become the ultimate parent as at 30 December 2019.