

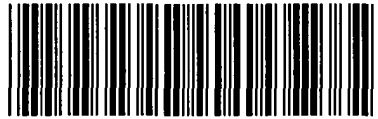
Registered number:  
11341979

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**OPTIMAL AUDIO GROUP LIMITED**

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**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 AUGUST 2020**

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	A13	08/04/2021	#75	
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	A14	04/03/2021	#172	
	COMPANIES HOUSE			

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## OPTIMAL AUDIO GROUP LIMITED

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### COMPANY INFORMATION

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**Directors**

J. Browning (resigned 30 December 2019)  
T. Carroll (appointed 30 December 2019)  
P. Dudderidge (appointed 30 December 2019)  
D. Gluckman (resigned 30 December 2019)  
D. Harter  
P. Hart (resigned 30 December 2019)  
S. Miller  
J. Wilson (appointed 30 December 2019)

**Company secretary** K. Bettison

**Registered number** 11341979

**Registered office** 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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### STRATEGIC REPORT FOR THE PERIOD ENDED 31 AUGUST 2020

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#### Introduction

The principal activities of Optimal Audio Group Limited ("Optimal" or "the Group") are the development of products and businesses in the audio systems market. Optimal is seeking further potential acquisition targets.

The Directors consider the Company's main objective to be the delivering of long term growth and profitability through quality products and businesses.

#### Business Review

On the 30 December 2019, Focusrite Plc ("Focusrite") completed the acquisition of Optimal.

Since the acquisition, the Company has appointed new Board members from Focusrite, with experience across the music, technology, legal and finance industries. Optimal now has access to the considerable resources of Focusrite to support its development plans.

These accounts are prepared from the 30 December 2019, the date of acquisition, to the 31 August 2020, the financial year end of Focusrite. As a consequence of the acquisition, the accounts of Optimal are not presented on a consolidated basis. The results of the Optimal Company for this period therefore largely reflect interest costs on the intercompany loan from Focusrite, and the value of the investments in the two subsidiaries.

The outbreak of COVID-19 during 2020 was declared a global pandemic by the World Health Organisation in March 2020. The rapid spread of this virus has resulted in governments worldwide enacting emergency measures to combat the spread, including social distancing, restrictions on gatherings and suspension of non-essential activities. These measures have caused disruption to the demand for products from Martin Audio Limited ("Martin"), and Martin Audio US, LLC ("LLC"), Optimal's two subsidiaries. This disruption is especially notable in the live events market segment.

Optimal believes that COVID-19 has caused a hiatus in the live events industry rather than a permanent change in the marketplace for its subsidiaries, and that consequently the live events industry will recover when the existing restrictions are sufficiently eased.

The Group Companies, Martin and LLC have taken a number of measures to mitigate the financial impact of COVID-19, including the reduction of discretionary spending and the realigning of product development expenditure to products more suited to the current market circumstances.

Martin has remained profitable in the eight-month period to August 2020, recording an operating profit of £1.46m. This represents a positive performance for this business under these challenging market and economic circumstances. Martin has also continued to be profitable in the 4 months to December 2020.

The trading conditions for LLC in the North American market remain challenging and variable, and despite the expectations of a market recovery in the coming months, the Board have decided it would be prudent to impair the value of this investment by £1.6m.

During this trading period, the Optimal Companies announced 12 new products including ceiling speakers in the commercial series, ADORN, and a dedicated product for the Chinese market, DDX. The Group has also launched its first ever Apple iOS application for the control of its portable series, BlacklineXP. Optimal is at an advanced stage with its development of the Optimal Brand range of products, elements of which are expected to launch during 2021.

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## OPTIMAL AUDIO GROUP LIMITED

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### STRATEGIC REPORT FOR THE PERIOD ENDED 31 AUGUST 2020

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#### Principal risks and uncertainties

The risks faced by Optimal are reviewed by the Board on a regular basis. Our review is consistent with the size and nature of the Group and is considered in the context of the uncertainties that COVID-19 is presenting to economies around the world. In common with many businesses in the sector, the trading environment continues to be challenging and variable in light of the economic impact of COVID-19 on the market.

The Directors are aware of the risks inherent in manufacturing and distributing in the music industry generally and keep these risks 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 (including COVID-19 compliance), and the Company's fulfilment of relevant environmental regulations.

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

The distribution of the Groups products worldwide is always through trusted distributors whose performance is reviewed regularly to ensure that this 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 pose an ongoing risk to the business, but these risks are closely monitored by the Directors to minimise the Group's exposure as far as possible.

Optimal is aware of its obligations under the General Data Protection Regulation (GDPR) and believes the issue is effectively addressed.

The financial statements have been prepared assuming the Company will continue as a going concern. The Group has circa £4.0m in cash and no external borrowing on its balance sheet. The Directors believe existing cash resources are more than sufficient for the next 12 months of trading.

The Group's ultimate parent, Focusrite, currently has over £20m in cash in its group accounts, and substantial undrawn facilities.

#### COVID 19

Despite challenging circumstances during COVID-19, the primary operating entity, Martin, has operated profitably throughout the pandemic and, with the support of Focusrite, has continued to invest.

Whilst the subsidiaries have been impacted by lower levels of profitability than had been forecast pre COVID-19, Martin and LLC are forecast to return to pre – COVID levels of profitability by the end of the next 12 month period.

The most pressing challenge COVID represents is to demand, especially in the live segment.

We have prepared and modelled forecasts for the short and medium term in both of the subsidiaries. The virus is not expected to have an impact in the medium term, albeit, there is likely to be some continuing impact in the short term.

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**OPTIMAL AUDIO GROUP LIMITED**

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**STRATEGIC REPORT  
FOR THE PERIOD ENDED 31 AUGUST 2020**

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The Group companies are not relying on the pandemic passing, and have adapted to this new normal, finding new ways to work with customers, suppliers and staff.

Foreign exchange and transactional currency exposure

The Company has some exposure to currency risk due to a proportion of its purchasing, receivables, stock and operating expenses not being denominated in sterling. The Directors monitor the exchange risk, and review the need for hedging on an ongoing basis.

Customer credit exposure

The subsidiaries may offer credit terms to its customers, which allow the payment of goods after the delivery of services. There is a risk that the customer will not be able to pay for the goods, on the specified due date. The Group mitigates this risk through its ongoing relationships with customers, and distributors, and credit control processes supported with the use of global credit rating 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 Group 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 on 17 February 2021.



**J. Wilson**  
Director

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## OPTIMAL AUDIO GROUP LIMITED

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### DIRECTORS' REPORT FOR THE PERIOD ENDED 31 AUGUST 2020

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The directors present their report and the financial statements for the period ended 31 August 2020.

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

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 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 101 '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 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 for the 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 Company 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 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 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 -£2,531,000 (2019 - £1,619,000). The period covered is that of eight months. Therefore, it is not directly comparable to the comparative year disclosed.

No dividends have been declared for the period.

#### **Directors**

The directors who served during the period were:

J. Browning (resigned 30 December 2019)  
T. Carroll (appointed 30 December 2019)  
P. Dudderidge (appointed 30 December 2019)  
D. Gluckman (resigned 30 December 2019)  
D. Harter  
P. Hart (resigned 30 December 2019)  
S. Miller  
J. Wilson (appointed 30 December 2019)

#### **Future developments**

The Company is currently developing its own product range and is progressing towards this objective.

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**OPTIMAL AUDIO GROUP LIMITED**

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**DIRECTORS' REPORT  
FOR THE PERIOD ENDED 31 AUGUST 2020**

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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'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's auditor is aware of that information.

**Post balance sheet events**

The Directors do not consider there to be any post balance sheet events.

**Auditor**

The auditor, KPMG 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 on 17 February 2021.



**J. Wilson**  
Director

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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 company") for the year ended 31 August 2020, which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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.

#### Conclusions relating to going concern

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

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

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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

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

##### *Identifying and responding to risks of material misstatement due to fraud*

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

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board minutes.

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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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- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the entity is a holding company.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed the following procedure:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

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

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

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

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

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law, recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

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

#### **Strategic report and directors' report**

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

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 7, 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.

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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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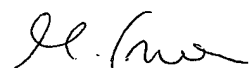
#### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### **The purpose of our audit work and to whom we owe our responsibilities**

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



**Michael Froom (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
One Snowhill  
Snow Hill Queensway  
Birmingham B4 6GH  
United Kingdom  
17 February 2021

OPTIMAL AUDIO GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 AUGUST 2020

		246 days to 31 August 2020 £'000s	363 days to 29 December 2019 £'000s
	Note		
Turnover	4	445	801
Cost of sales		(404)	(699)
<b>Gross profit</b>		<b>41</b>	<b>102</b>
Administrative expenses		(34)	(373)
Impairment of investments		(1,558)	-
<b>Operating profit/(loss)</b>		<b>(1,551)</b>	<b>(271)</b>
Interest receivable and similar income		-	-
Interest payable and expenses		(980)	(1,348)
<b>Loss before tax</b>		<b>(2,531)</b>	<b>(1,619)</b>
Tax on loss		-	-
<b>Loss for the financial period</b>		<b>(2,531)</b>	<b>(1,619)</b>


The notes on pages 15 to 26 form part of these financial statements.

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

**BALANCE SHEET**  
**AS AT 31 AUGUST 2020**

	Note	31 August 2020 £'000s	29 December 2019 £'000s
<b>Fixed assets</b>			
Intangible assets		66	25
Tangible assets	10	-	-
Investments	11	10,342	11,900
		<u>10,408</u>	<u>11,925</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	-	42
Cash at bank and in hand	13	756	815
		<u>756</u>	<u>857</u>
Creditors: amounts falling due within one year	14	(2,993)	(235)
		<u>(2,237)</u>	<u>622</u>
<b>Net current assets</b>			
		<u>(2,237)</u>	<u>622</u>
<b>Total assets less current liabilities</b>		<u>8,171</u>	<u>12,547</u>
Creditors: amounts falling due after more than one year	15	(12,526)	(14,792)
<b>Net liabilities</b>		<u>(4,355)</u>	<u>(2,245)</u>
<b>Capital and reserves</b>			
Called up share capital	17	3	3
Share premium account		290	290
Profit and loss account carried forward		(4,648)	(2,538)
		<u>(4,355)</u>	<u>(2,245)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 17 February 2021.  
They were signed on its behalf by:



**J. Wilson**  
Director

OPTIMAL AUDIO GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 AUGUST 2020

	Called up share capital £'000s	Share premium account £'000s	Profit and loss account £'000s	Total equity £'000s
At 1 January 2019	3	287	(919)	(629)
Loss for the year	-	-	(1,619)	(1,619)
Total comprehensive income for the year	-	-	(1,619)	(1,619)
Contributions by and distributions to owners:				
Shares issued during the period	-	3	-	3
Total transactions with owners	-	3	-	3
At 29 December 2019	3	290	(2,538)	(2,245)
Loss for the period	-	-	(2,531)	(2,531)
<b>Total comprehensive income for the period</b>	-	-	(2,531)	(2,531)
Contributions by and distributions to owners:				
Capital contributions <b>Note 18</b>	-	-	421	421
<b>Total transactions with owners</b>	-	-	421	421
<b>At 31 August 2020</b>	<b>3</b>	<b>290</b>	<b>(4,648)</b>	<b>(4,355)</b>

The notes on pages 16 to 28 form part of these financial statements.

## OPTIMAL AUDIO GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2020

#### 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.

The Company changed its year end from 29 December to 31 August, to align the accounting period with the parent company, therefore the comparative period may not be directly comparable.

The financial statements for the year ended 31 August 2020 are presented in Pounds ('GBP' thousands; £'000). This is the functional currency of the Company.

#### 2. Accounting policies

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

The financial statements have been prepared and approved by the directors in accordance with FRS 101.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 30 December 2019 for the purposes of the transition to FRS 101.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

##### Going Concern

The Company's business activities, together with risk factors which potentially affect its future development, performance or position can be found in the Strategic Report to the financial statements.

The Company has access to, via Focusrite plc, a £40 million revolving credit facility with HSBC and NatWest expiring 18 December 2024. The Directors considered the going concern assumption and after careful enquiry and review of available financial information, including detailed projections of profitability and cash flows for the next three years.

The Company is a wholly owned subsidiary of Focusrite plc which has also been assessed for going concern; and it has been concluded that the Company has sufficient working capital and available banking facilities to satisfy the Company's requirements for requirements. Focusrite plc's financial statements were approved on 17 November 2020 with no material uncertainty over going concern and significant headroom in its facilities.

The Company and its ultimate parent have considerable financial resources, recurring revenue streams and a broad spread of customer. The Company continued to grow in the current year to date. As a consequence of these factors and having reviewed the forecasts for the coming year, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

##### 2.2 Transition to FRS 101

The Company is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 21.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 AUGUST 2020**

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 30 December 2019 have not been restated.
- Fair value or revaluation as deemed cost – At first day of comparative period, fair value has been used as deemed cost for properties previously measured at fair value.
- Cumulative translation differences – Cumulative translation differences for all foreign operations have been set to zero at first day of comparative period.

**2.3 Financial reporting standard 101 – reduced disclosure exemptions**

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-146 of IAS 1 Presentation for Financial Statements.
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member.

This information is included in the consolidated financial statements of Focusrite Plc as at 31 August 2020 and these financial statements may be obtained from Companies House.

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## OPTIMAL AUDIO GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2020

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#### 2.4 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'.

#### 2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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:

##### 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 Company 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.

#### 2.6 Interest income

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

#### 2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt 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 31 AUGUST 2020

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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 Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company 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 Company 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 operates 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 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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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2020

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#### 2.11 Intangible assets

##### 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
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#### 2.12 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.

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:

Plant and machinery	-	Four years straight line
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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.

#### 2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

#### 2.14 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.

#### 2.15 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.

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**2.16 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.

**2.17 Financial instruments**

The Company 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 101 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 impairment of investments.

An impairment was recognised in the year following a discounted cash flow analysis. The result of the impairment review is included in note 11.

Change in estimate	(Increase)/decrease in impairment risk
Discount rate: increase of 2.2%	(494)
Discount rate: decrease of 1.8%	568
Terminal growth rate - increase of 1%	180
Terminal growth rate - decrease of 1%	(152)
Five year CAGR growth rate - increase of 1%	115
Five year CAGR growth rate - decrease of 1%	(112)

**4. Revenue**

Revenue wholly represents recharges of staff costs and software depreciation to the company's subsidiaries. The revenue includes a mark-up on costs incurred.

**5. Auditor's remuneration**

	2020 £'000s	2019 £'000s
Fees payable to the Company's auditor	14	56

Fees payable to the Company's auditor in respect of:

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Taxation compliance services	-	6
	<u>14</u>	<u>62</u>

6. Employees

	31 August 2020	29 December 2019
	£'000s	£'000s
Wages and salaries	382	544
Social security costs	43	73
Cost of defined contribution scheme	19	23
Government grants	(8)	-
	<u>436</u>	<u>640</u>

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

	2020	2019
	No.	No.
Administration	7	8

7. Interest payable and similar expenses

	31 August 2020	29 December 2019
	£'000s	£'000s
Interest	980	1,348
	<u>980</u>	<u>1,348</u>

The interest expense in the current year relates to interest charged on the intercompany loan with Focusrite Plc, as well as the amortisation of the arrangement fee on the previous owner's loan to Optimal Audio Group Limited. Prior year interest relates to a loan from the previous owner of the business.

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8. Taxation

	31 August 2020	29 December 2019
	£'000s	£'000s
<b>Corporation tax</b>		
Current tax on profits for the year	-	-
	-	-
<b>Total current tax</b>	-	-
<b>Deferred tax</b>		
<b>Total deferred tax</b>	-	-
<b>Taxation on (loss)/profit on ordinary activities</b>	-	-

**Factors affecting tax charge for the period**

The tax assessed for the period is lower than (2019 – lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	31 August £'000s	29 December £'000s
Profit/(Loss) on ordinary activities before tax	(973)	(1,619)
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(185)	(308)

**Effects of:**

Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(7)	12
Group relief	72	-
Effect of change in tax rate on deferred tax	-	(14)
Deferred tax not recognised (movement)	120	310
<b>Total tax charge for the period</b>	-	-

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

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9. Intangible fixed assets

	Computer software £'000s	Total £'000s
<b>Cost</b>		
At 30 December 2019	25	25
Additions	45	45
At 31 August 2020	<u>70</u>	<u>70</u>
<b>Amortisation</b>		
At 30 December 2019	-	-
Charge for the period on owned assets	4	4
At 31 August 2020	<u>4</u>	<u>4</u>
<b>Net book value</b>		
At 31 August 2020	<u>66</u>	<u>66</u>
At 29 December 2019	<u>25</u>	<u>25</u>

10. Tangible fixed assets

	Plant and machinery £'000s
<b>Cost</b>	
At 30 December 2019	1
Additions	-
At 31 August 2020	<u>1</u>
<b>Depreciation</b>	
At 30 December 2019	1
Charge for the period on owned assets	-
At 31 August 2020	<u>1</u>
<b>Net book value</b>	
At 31 August 2020	<u>-</u>
At 29 December 2019	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**11. Investments**

	<b>Investments in subsidiary companies £'000s</b>
<b>Cost or valuation</b>	
At 29 December 2019	11,900
Impairment recognised in the year	(1,558)
At 31 August 2020	<u>10,342</u>

**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., #669 Los Angeles, CA 90039	Ordinary	100 %

**12. Debtors**

	<b>31 August 2020 £'000s</b>	<b>29 December 2019 £'000s</b>
Amounts owed by group undertakings	-	42
	<u>-</u>	<u>42</u>

OPTIMAL AUDIO GROUP LIMITED

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13. Cash and cash equivalents

	31 August 2020 £'000s	29 December 2019 £'000s
Cash at bank and in hand	756	815
	<u>756</u>	<u>815</u>

14. Creditors: Amounts falling due within one year

	31 August 2020 £'000s	29 December 2019 £'000s
Trade creditors	-	64
Amounts owed to group undertakings	2,545	128
Other taxation and social security	421	4
Other creditors	27	7
Accruals and deferred income	-	32
	<u>2,993</u>	<u>235</u>

Amounts owed to group undertakings includes a loan from Focusrite PLC totalling £2m and has an implicit interest rate of 4%.

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

	31 August 2020 £'000s	29 December 2019 £'000s
Bank loans	-	14,792
Amounts owed to group undertakings	12,526	
	<u>12,526</u>	<u>14,792</u>

Amounts owed to group undertakings relates to a loan from Focusrite Plc and has an implicit interest rate of 4%.

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**16. Loans**

The maturity date of the following loan notes was seven years from the date of the instrument, being 29 June 2025. Under the terms of the loan, until the loan notes were repaid or prepaid in accordance with the provisions of this Instrument, the Company was required to pay the Noteholders interest on the Principal Amount. The loan note was fully repaid on 30 December 2019 following the acquisition by Focusrite Plc.

	31 August 2020 £'000s	29 December 2019 £'000s
<b>Amounts falling due 2-5 years</b>		
Bank loans	-	14,792
	<u>-</u>	<u>14,792</u>

**17. Share capital**

	31 August 2020 £'000s	29 December 2019 £'000s
<b>Allotted, called up and fully paid</b>		
72,763 (2019 - 72,763) Ordinary A shares of £0.01 each	1	1
4,881 (2019 - 4,881) Ordinary B shares of £0.10 each	-	-
20,144 (2019 - 20,144) Ordinary C shares of £0.10 each	2	2
	<u>3</u>	<u>3</u>

All the classes of shares rank pari passu and therefore, have equal right to distributions.

**18. Capital contributions**

During the period a capital contribution of £421,000 was made to repay historical tax liabilities.

**19. Pension commitments**

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £15,579 (2019: £21,980). Contributions totalling £Nil (2019: £Nil) were payable to the fund at the balance sheet date and are included in creditors.

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**OPTIMAL AUDIO GROUP LIMITED**

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**20. Related party transactions**

The company is a wholly owned subsidiary of Focusrite Plc and as such has not to provided disclosures of transactions entered into with other wholly owned members of the Group. The company and its fellow subsidiary undertaking are included within the consolidated financial statements of Focusrite Plc, which are publicly available at Companies House.

**21. Controlling party**

On the 30 December 2019 Focusrite Plc acquired the entire share capital of Optimal Audio Group Limited, and in so doing has become the ultimate and immediate parent company and controlling party as at 31 August 2020.

**22. Conversion to FRS 101**

The Directors considered all potential adjustments on transition to FRS 101. They confirm that no material adjustments arise on transition and therefore no changes to the opening balance sheet were required to enable the Company to comply with FRS 101.