
OPTIMAL AUDIO GROUP LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

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OPTIMAL AUDIO GROUP LIMITED

COMPANY INFORMATION

Directors	T. Carroll P. Dudderidge D. Harter S. McKone (appointed 1 March 2021) S. Miller (resigned 26 October 2021) J. Wilson (resigned 1 March 2021)
Company secretary	K. Bettison
Registered number	11341979
Registered office	Unit 2 Century Point, Halifax Road Cressex Business Park High Wycombe Buckinghamshire HP12 3SL

OPTIMAL AUDIO GROUP LIMITED

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OPTIMAL AUDIO GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2021

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

These accounts are prepared for the year ended the 31 August 2021.

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 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 caused disruption to the demand for products from Martin Audio Limited ("Martin"), and Martin Audio US, LLC ("LLC"), Optimal Audio Group's two subsidiaries in the first half year. This disruption was especially notable in the live events market segment however installed sound markets recovered slowly when the existing restrictions were lifted towards Q3.

The Group Companies, Martin Audio and Martin Audio US 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 twelve-month period to August 2021, recording an operating profit of £2.5m. This represents a positive performance for this business under these challenging market and economic circumstances. Martin has also continued to be profitable in the first Q1 of 2022.

The trading conditions for LLC in the North American market remained challenging and variable, however it slowly recovered with various new installation projects carried out which added to the growth of sales.

On 31 August 2021, LLC was sold and transferred to Focusrite Plc, the parent company, to restructure and merge their US corporate entities into one company. The consideration of £3.0m was based on an arms length fair value for LLC and used to offset part of the loan outstanding between Optimal Audio Group and Focusrite plc.

During this trading period, Martin Audio has announced 23 new products including the Torus series for smaller venues and an entirely new brand Optimal Audio – addressing the commercial audio space. Martin Audio also launched its 3D design software Display 3, making it easier to design and deploy sound systems and providing a useful tool for its live sound. Additionally, the Company was awarded with Queens Award for Innovation by Lady Howe, Buckinghamshire's Lord Lieutenant on 3 November 2021.

OPTIMAL AUDIO GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2021

Principal risks and uncertainties

The risks faced by Optimal Audio Group 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.

The financial statements have been prepared assuming the Company will continue as a going concern. The Group has circa £4.8m 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. Further details are set out in note 2.1 to the financial statements.

COVID-19

Despite challenging circumstances during COVID-19, the Company has operated profitably throughout the pandemic and, with the support of Focusrite plc, has continued to invest.

The Company introduced two days a week lateral flow test on site at the start of the pandemic and carried on to make sure the work place is safe for all employees, also implemented a rota system to reduce number of employees being in the office and the working arrangements have been working well with no issues.

The challenge remains for the line managers to demonstrate that they can manage their teams while staff are part time remote and keep productivity and motivation levels high.

Martin Audio will continue to keep the various restrictions in place on site and continue to be cautious.

The Company is not relying on the pandemic passing, and has adapted to this new normal, finding new ways to work with customers, suppliers and staff.

The Directors have modelled the current situation continuing for the next 12 months, and have stress tested the cash flows and revenue forecasts.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 AUGUST 2021

Identification of principal risks and assessment

The Board has overall responsibility for the Company's risk management process but has delegated responsibility for its implementation, the system of internal controls which reduce risk and for reviewing their effectiveness to the management teams.

The risks and uncertainties that the Company faces evolve over time, therefore the management team assesses and reviews risks in order to monitor key risks, identify emerging risks and update mitigation plans.

In light of the COVID-19 pandemic the Company has conducted a wider-ranging view of its risks during the financial year, with members of the management team reviewing risks in relation to:

- cyber and data security and the impact of home working;
- disruption to the supply of components and logistics;
- health and safety;
- lessons learned from the Company's response to the first two national lockdowns; and
- business continuity.

Information security, data privacy, business continuity and cyber risks

The unencumbered availability and integrity of the Company's IT systems is ever critical to successful trading. The Company continues to invest in order to ensure a system that can record and process substantial volumes of data, prevent obsolescence and maintain responsiveness.

The threat of a cyber security breach or an unauthorised or malicious attack is an ongoing and increasingly sophisticated risk that the Company believes would negatively impact its reputation. Similarly, the inadvertent processing of customer or employee data in a manner deemed unethical or unlawful could result in significant financial penalties, remediation costs, reputational damage and/or restrictions on our ability to operate.

The Company has implemented various exercises to tackle any potential risks to the Company and protect users.

- Has promoted awareness of the increasingly sophisticated methods of attack cyber criminals deploy.
- Critical systems backup facilities and business continuity plans are reviewed and updated regularly
- The Company's data protection and information security policies are mandatory reading and are kept under regular review

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 Company 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 Company mitigates this risk through its ongoing relationships with customers, and distributors, and credit control processes supported with a global credit rating agency.

Product innovation

As customer demand for high-quality products increases and competitive products rival those of the Company, the operational cycle is becoming shorter. The market for the Company's products remains characterised by continued evolution in technology, evolving industry standards, frequent new competitive product introductions and, particularly in the post-pandemic environment, changes in customer needs.

OPTIMAL AUDIO GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2021

The Company invests in designing and developing products that customers want to buy, at appropriate price points. Failure to meet the design, quality and value expectations will quickly see customers turn away from our products.

The Company mitigate by investing on research and development and continually reviewing the design and performance of the various product ranges and pushing our designers and engineers to keep our products at the cutting edge of innovation.

People

People are critical to the Company's ability to meet the needs of its customers and end users and achieve its goals as a business. This requires the retention of senior managers and technical personnel as well as on our ability to attract, motivate and retain highly qualified people.

The company recognises the importance of people and actively promotes diverse and inclusive thinking in its recruitment process and also implementing ways of sharing people resources across the Company, allowing for flexibility in employment and standardisation of the benefits offered across the Company.

The Directors perform a high degree of personal oversight in the Company's employee engagement which gives them an insight into the mood, culture and views of the workforce, which is then reported back to the Board.

The Board seeks to understand the respective interests of its stakeholders so that these may be properly considered in all decisions. This is done through the receipt of reports and updates from the management teams who engage with the various stakeholders and coverage in Board packs with regard to proposed courses of action.

Product supply chain

Due to the global supply chain issues, risks to our ability to service customer demand are real and present. Throughout the period the Board was briefed on major matters with regard to key suppliers, notably with the Company's providers of components and freight forwarding services.

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

Freight is both more expensive and less available than pre-pandemic. there is an emerging risk that we may be able to produce the goods but not get them to the customers. We continue to monitor the situations as all businesses are affected and so to mitigate the risk by anticipating and planning volumes months in advance to increase the visibility and allow us the best probability of securing space.

Environment

The impact of climate change is integral to the Company's risk management approach. Climate change is leading to increasing frequency of severe weather e.g. drought, high rainfall, flooding and heatwaves.

Failure to deliver on climate change initiatives, particularly around the reduction in the use of energy and carbon within required timescales, will have medium and long-term climate change risks to residents, businesses and infrastructure.

The Company has an established 'Green Team' and the Board supports the team's goals and initiatives with regard to reducing adverse impacts on the environment and supporting the communities that it touches. In the next financial year we will measure and define a roadmap to reduce our carbon footprint as well as work with our teams and external partners on the impact we can have on the important issue.

OPTIMAL AUDIO GROUP LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 AUGUST 2021**

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 13 January 2022.



S. McKone
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2021**

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Results and dividends

The profit for the period, after taxation, amounted to £1,708,000 (2020 -£2,531,000). The comparative covered is that of eight months. Therefore, it is not directly comparable to the current year.

No dividends have been declared for the period.

Directors

The directors who served during the period were:

T. Carroll
P. Dudderidge
D. Harter
S. McKone (appointed 1 March 2021)
S. Miller (resigned 26 October 2021)
J. Wilson (resigned 1 March 2021)

Future developments

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

Disclosure of information to auditor

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

OPTIMAL AUDIO GROUP LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2021

- 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 13 January 2022.



S. McKone
Director

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

Opinion

We have audited the financial statements of Optimal Audio Group Limited ("the company") for the year ended 31 August 2021 which comprise the Statement of Comprehensive Income, Balance Sheet, the 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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of directors, the audit committee, and inspection of policy documentation 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.

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

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

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Company 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.

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.

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.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

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

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

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

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

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 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

OPTIMAL AUDIO GROUP LIMITED

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

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

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

Michael Froom (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

13 January 2022

OPTIMAL AUDIO GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2021

		365 days to	246 days to
		31	31
		August	August
		2021	2020
	Note	£'000s	£'000s
Turnover	4	347	445
Cost of sales		(315)	(404)
Gross profit		32	41
Administrative expenses		(347)	(34)
Impairment reversal/(charge)	11	56	(1,558)
Operating (loss)		(259)	(1,551)
Interest payable and expenses	7	(590)	(980)
Dividends received	18	2,324	-
Profit/(loss) before tax		1,475	(2,531)
Tax on profit	8	233	-
Profit/(loss) for the financial period		1,708	(2,531)

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2021 (2020: NIL).

The notes on pages 18 to 30 form part of these financial statements.

OPTIMAL AUDIO GROUP LIMITED
REGISTERED NUMBER: 11341979

BALANCE SHEET
AS AT 31 AUGUST 2021

	Note	31 August 2021 £'000s	31 August 2020 £'000s
Fixed assets			
Intangible assets	9	107	66
Tangible assets	10	75	-
Investments	11	7,408	10,342
		<u>7,590</u>	<u>10,408</u>
Current assets			
Debtors: amounts falling due within one year	12	58	-
Cash at bank and in hand	13	198	756
		<u>256</u>	<u>756</u>
Creditors: amounts falling due within one year	14	(1,795)	(2,993)
		<u>(1,539)</u>	<u>(2,237)</u>
Net current liabilities		<u>(1,539)</u>	<u>(2,237)</u>
Total assets less current liabilities		<u>6,051</u>	<u>8,171</u>
Creditors: amounts falling due after more than one year	15	(8,698)	(12,526)
Net liabilities		<u><u>(2,647)</u></u>	<u><u>(4,355)</u></u>
Capital and reserves			
Called up share capital	16	3	3
Share premium account		290	290
Profit and loss account carried forward		(2,940)	(4,648)
		<u><u>(2,647)</u></u>	<u><u>(4,355)</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 13 January 2022.
They were signed on its behalf by:



S. McKone
Director

OPTIMAL AUDIO GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2021

	Called up share capital £'000s	Share premium account £'000s	Profit and loss account £'000s	Total equity £'000s
At 29 December 2019	3	290	(2,538)	(2,245)
Loss for the year	-	-	(2,531)	(2,531)
Total comprehensive income for the year	-	-	(2,531)	(2,531)
Capital contributions	-	-	421	421
Total transactions with owners	-	-	421	421
At 31 August 2020	3	290	(4,648)	(4,355)
Profit for the year	-	-	1,708	1,708
Total comprehensive income for the year	-	-	1,708	1,708
At 31 August 2021	3	290	(2,940)	(2,647)

The notes on pages 18 to 30 form part of these financial statements.

OPTIMAL AUDIO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

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 financial statements for the year ended 31 August 2021 are presented in Pounds ('GBP' thousands; £'000). This is the functional currency of the Company.

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 Company financial statements.

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

Notwithstanding the Company having net current liabilities of £1,539,000 and net liabilities of £2,647,000 the financial statement have been prepared on a going concern basis which the Directors consider appropriate for the following reasons.

The Company has access to, via Focusrite plc ("plc") the Company's ultimate parent undertaking, a £40 million revolving credit facility with HSBC and NatWest expiring 18 December 2024. The Directors considered the going concern assumption and reviewed available financial information, including detailed projections of profitability and cash flows for the period to February 2023 (the forecast period).

The directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but reasonably possible downsides, the company will have sufficient funds to operate within its available facilities based on the ongoing financial support being provided by "plc". The Directors have considered the financial position of plc and are satisfied that plc has the ability, intent and economic rationale to continue to support the Company. Focusrite plc's financial statements were approved on 15 November 2021 with no material uncertainty over going concern and significant headroom in its facilities.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. 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 period to February 2023, 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

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 2021 and these financial statements may be obtained from Companies House.

OPTIMAL AUDIO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

2. Accounting policies

2.1 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'.

2.2 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.

2.3 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.

OPTIMAL AUDIO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

2.4 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.

2.5 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.

OPTIMAL AUDIO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

2.6 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
Trademarks	-	4	years

2.7 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	- 4 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.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 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.

OPTIMAL AUDIO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

2.10 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.

2.11 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.

2.12 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 only material estimate relates to the carrying value of investments in subsidiary undertakings.

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. No impairments have been recognised in the current financial year.

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

	365 days to 2021 £'000s	246 days to 2020 £'000s
Fees payable to the Company's auditor	17	14

OPTIMAL AUDIO GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

6. Employees

	365 days to	246 days to
	31	31
	August	August
	2021	2020
	£'000s	£'000s
Wages and salaries	557	382
Social security costs	72	43
Cost of defined contribution scheme	25	19
Government grants	-	(8)
	<u>654</u>	<u>436</u>

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

	365 days to	246 days to
	2021	2020
	No.	No.
Administration	7	7

7. Interest payable and similar expenses

	365 days to	246 days to
	31	31
	August	August
	2021	2020
	£'000s	£'000s
Interest	590	980
	<u>590</u>	<u>980</u>

The interest expense in the current year relates to interest charged on the intercompany loan with Focusrite Plc.

OPTIMAL AUDIO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

8. Taxation

	365 days to 31 August 2021 £'000s	246 days to 31 August 2020 £'000s
Corporation tax		
Group relief received	(178)	-
Current tax on profits for the year	-	-
	-	-
Total current tax	(178)	-
Deferred tax	(55)	
Total deferred tax	(55)	-
Taxation on (loss) on ordinary activities	(233)	-

Group relief of £178,000 was surrendered to Focusrite Plc in FY21 (2020: Nil).

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2020 – lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The difference is explained below:

	365 days to 31 August 2021 £'000s	246 days to 31 August 2020 £'000s
Profit/(Loss) on ordinary activities before tax	<u>1,475</u>	<u>(2,531)</u>
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	280	(481)

Effects of:

Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(10)	(7)
Income not taxable	(441)	-
Group relief	229	72
Effect of change in tax rate on deferred tax	(13)	-
Deferred tax not previously recognised (movement)	(278)	416

OPTIMAL AUDIO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

Total tax credit for the period

(233)

-

Factors that may affect future tax charges

The Finance Act 2021 enacted legislation to maintain the current rate of corporation tax at 19%, up until at least the end of tax year ended 31 March 2023. Thereafter, the headline rate of corporation tax will rise to 25%

9. Intangible fixed assets

	Computer software £'000s	Trademark £'000s	Total £'000s
Cost			
At 31 August 2020	70	-	70
Additions	68	13	81
At 31 August 2021	<u>138</u>	<u>13</u>	<u>151</u>
Amortisation			
At 31 August 2020	4	-	4
Charge for the period on owned assets	39	1	40
At 31 August 2021	<u>43</u>	<u>1</u>	<u>44</u>
Net book value			
At 31 August 2021	<u>95</u>	<u>12</u>	<u>106</u>
At 31 August 2020	<u>66</u>	<u>-</u>	<u>66</u>

OPTIMAL AUDIO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

10. Tangible fixed assets

	Plant and machinery £'000s
Cost	
At 31 August 2020	1
Additions	85
At 31 August 2021	<u>86</u>
Depreciation	
At 31 August 2020	1
Charge for the period on owned assets	10
At 31 August 2021	<u>11</u>
Net book value	
At 31 August 2021	<u><u>75</u></u>
At 31 August 2020	<u><u>-</u></u>

11. Investments

	31 August 2021 £'000s	31 August 2020 £'000s
Cost		
At beginning of year	11,900	11,900
Disposal	(4,492)	-
At end of year	<u>7,408</u>	<u>11,900</u>
Impairment		
At beginning of year	(1,558)	-
Impairment losses	-	(1,558)
Disposal	1,558	-
At end of year	<u>-</u>	<u>(1,558)</u>
Net book value		
At 31 August	<u><u>7,408</u></u>	<u><u>10,342</u></u>

OPTIMAL AUDIO GROUP LIMITED

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Martin Audio, US, LLC was sold to Focusrite Group Plc on 31 August 2021 for fair value consideration of £2,990,000, a reversal of impairment of £56,000 was recognised in the profit and loss account (further details on note 15).

Subsidiary undertakings

The following were subsidiary undertakings of the Company as at 31 August 2021:

Name	Registered office	Class of shares	Holding
Martin Audio Limited	Unit 2 Century Point, Halifax Road Cressex Business Park, High Wycombe, Buckinghamshire, HP12 3SL	Ordinary	100 %

12. Debtors

	31 August 2021 £'000s	31 August 2020 £'000s
Other Debtors	3	-
Deferred taxation	55	-
	<u>58</u>	<u>-</u>

13. Cash and cash equivalents

	31 August 2021 £'000s	31 August 2020 £'000s
Cash at bank and in hand	198	756
	<u>198</u>	<u>756</u>

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NOTES TO THE FINANCIAL STATEMENTS
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14. Creditors: Amounts falling due within one year

	31 August 2021 £'000s	31 August 2020 £'000s
Amounts owed to group undertakings	1,795	2,545
Other taxation and social security	-	421
Other creditors	-	27
	<u>1,795</u>	<u>2,993</u>

Amounts owed by group undertakings are interest free and repayable on demand.

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

	31 August 2021 £'000s	31 August 2020 £'000s
Amounts owed to group undertakings	8,698	12,526
	<u>8,698</u>	<u>12,526</u>

Proceeds of £2,990,000 on sale of Martin Audio, US, LLC to Focusrite was used to partially offset the loan with Focusrite Plc, amounts owed to group undertakings relates to a loan from Focusrite Plc and has an implicit interest rate of 4%.

16. Share capital

	31 August 2021 £'000s	31 August 2020 £'000s
Allotted, called up and fully paid		
72,763 (2020 - 72,763) Ordinary A shares of £0.01 each	1	1
4,881 (2020 - 4,881) Ordinary B shares of £0.10 each	-	-
22,356 (2020 - 22,356) Ordinary C shares of £0.10 each	2	2
	<u>3</u>	<u>3</u>

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

17. 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 £25,000 (2020: £15,579). Contributions totalling £Nil (2020: £Nil) were payable to the fund at the balance sheet date and are included in creditors.

18. Dividends

Martin Audio Limited paid dividends of £2,324,000 during 2021 (2020: NIL) to Optimal Audio Limited. No dividends were paid to Focusrite Plc from Optimal Audio during FY21 (2020: Nil).

19. 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.

20. Controlling party

Focusrite Plc was the immediate controlling party as at 31 August 2021, and no shareholder has a controlling share.