Strictly Embargoed until 07.00, 8th December 2022

Focusrite plc
("Focusrite" "the Company" or "the Group")
Final Results for the Year Ended 31 August 2022

Focusrite plc (AIM: TUNE), the global music and audio products company, announces its Final Results for the year ended 31 August 2022.

Financial and operational highlights

	FY22	FY21	Change
Revenue (£ million)	183.7	173.9	+5.6%
Gross margin %	45.3%	48.4%	-3.1ppts
Adjusted[1] EBITDA[2] (£ million)	41.7	47.5	-12.2%
Operating profit (£ million)	28.7	35.8	-19.8%
Adjusted[1] operating profit (£ million)	34.7	41.4	-16.2%
Basic earnings per share (p)	42.5	48.8	-12.9%
Adjusted[1] diluted earnings per share (p)	52.0	57.5	-9.6%
Total dividend per share (p)	6.0	5.2	+15.4%
Net debt/cash[3] (£ million)	(0.3)	17.6	-£17.9m

Revenue growth of 5.6% reflects organic constant currency[4] decrease of 2.8% more than offset by acquisitions and foreign exchange translation benefits. Organic growth reflects maintaining the majority of demand from COVID-19 and the benefit of new products

- **Focusrite and Novation** products down by -5.3% to £117.8 million (FY21: £124.4 million) reflecting strong retention of sales against COVID-19 period comparators. Growth of 17% compared to FY20.
- **ADAM Audio** revenue down by 25% to £17.8 million (FY21: £23.9 million) against the prior year due to now resolved supply issues impacting availability in the first half of the year as previously highlighted.
- **Martin Audio** grew by 56% to £31.9 million (FY21: £20.4 million), surpassing pre-COVID-19 levels with strong growth in live markets helped by the acquisition of Linea Research.
- **Sequential** grew by 206% to £16.2 million (FY21: £5.3 million), reflecting a partial year comparator. Organic constant currency[3] growth is 18% reflecting successful new product introductions.

- Strong growth in our Rest of World region with Europe, Middle East and Africa and North America broadly stable.
- Gross margin impacted by the one off duty benefit in the prior year, an inflationary cost environment, particularly high freight rates and increased component prices, partially offset by sales price increases.

- Acquisition of Linea Research, a long term supplier of Martin Audio, completed in March 2022 for £12.3 million, and rights of the iconic Oberheim brand completed in May 2022 for £4.5 million.
- Planned strong production levels throughout the year enabled us to rebuild stock levels prior to the 2022 holiday season, reflected in a year-end net debt balance[3] of £0.3 million (FY21: net cash £17.6 million)
- Launch of 22 new products across all brands throughout the year.
- Continued investment in people and systems to deliver on our strategy to be a Great Place to Work.

- Final dividend of 4.15p recommended, resulting in 6.0p for the year, up 15% on prior year.

1 Comprising earnings adjusted for interest, taxation, depreciation and amortisation.

2 Adjusted for amortisation of acquired intangible assets, sale of trademark and other adjusting items

3 Net debt/cash defined as cash and cash equivalents, overdrafts and amounts drawn against the RCF including the costs of arranging the RCF

4 Organic constant currency growth. This is calculated by comparing FY22 revenue to FY21 revenue adjusted for FY22 exchange rates and the impact of acquisitions.

Commenting on the final year results Tim Carroll CEO, said:

"I am immensely proud of the Group's performance this past year: our leadership teams continue to prove they can meet both ordinary and extraordinary challenges head on and achieve strong results. Our content creation brands continue to experience healthy demand and our live and installed portfolio is back in full swing with the

resurgence of live events. For the current year, our first quarter trading has finished in line with our expectations. Overall demand for the Group's portfolio of products has remained strong.

We remain mindful of the current significant global economic and political challenges, as well as the ongoing cost pressures in the supply chain, but we have worked hard to build back our inventory position. This provides greater resilience against supply chain volatility and ensures we are able to meet demand as we head into the key holiday season in FY23.

We have also introduced a number of measures to maintain margins, through pricing actions, refinement of our routes to market and ongoing review of our production costs. With new product launches across the product portfolio planned for FY23 and beyond we remain confident that the Group continues to have significant organic growth potential within our existing brands. In tandem, the Group has proven that it has the capability to successfully execute on its proactive M&A strategy, carefully considering potential acquisitions that are not only earnings enhancing, but can also add to our market potential, expand our R&D footprint, and add scale and dynamism to our business.

All these factors combined leave us optimistic about our future prospects."

Availability of Annual Report and Notice of AGM

The Annual Report and Accounts for the financial year ended 31 August 2022 and notice of the Annual General Meeting ("AGM") of Focusrite will be posted to shareholders by 4 January 2023 and will be available on Focusrite's website at www.focusriteplc.com.

Dividend timetable

The final dividend is subject to shareholder approval, which will be sought at Focusrite's AGM on 3 February 2023.

The timetable for the final dividend is as follows:

3 February 2023	AGM to approve the recommended final dividend
12 January 2023	Ex-dividend Date
13 January 2023	Record Date
17 February 2023	Dividend payment date

- ends -

Enquiries:

Focusrite plc:	
Tim Carroll (CEO)	+44 1494 462246
Sally McKone (CFO)	+44 1494 462246
Investec Bank plc (Nominated Adviser and Joint Broker)	+44 (0) 20 7597 5970
David Flin	
Ben Farrow	
William Brinkley	
Charlotte Young	
Peel Hunt LLP (Joint Broker)	+44 (0) 20 7418 8900
Paul Gillam	
Michael Burke	
James Smith	
Belvedere Communications	

John West	+44 20 3687 2753
Llew Angus	+44 20 3687 2754

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 (MAR)

Notes to Editors

Focusrite plc is a global audio products group that develops and markets proprietary hardware and software products. Used by audio professionals and musicians, its solutions facilitate the high-quality production of recorded and live sound. The Focusrite Group trades under ten established brands: Focusrite, Focusrite Pro, Novation, Ampify, ADAM Audio, Martin Audio, Optimal Audio, Linea Research Sequential and Oberheim.

With a high-quality reputation and a rich heritage spanning decades, its brands are category leaders in the music-making and audio recording industries. Focusrite and Focusrite Pro offer audio interfaces and other products for recording musicians, producers and professional audio facilities. Novation and Ampify products are used in the creation of electronic music, from synthesizers and grooveboxes to industry-shaping controllers and inspirational music-making apps. ADAM Audio studio monitors have earned a worldwide reputation based on technological innovation in the field of studio loudspeaker technology. Martin Audio designs and manufactures performance-ready systems across the spectrum of sound reinforcement applications. Linea designs, develops, manufactures and sells market innovative professional audio equipment globally. Sequential designs and manufactures high end analogue synthesizers under the Sequential and Oberheim brands.

The Company has offices in four continents and a global customer base with a distribution network covering approximately 240 territories.

Focusrite plc is traded on the AIM market, London Stock Exchange.

Chairman's Report

Focusrite is unique as being the only global group of branded businesses in the music technology industry listed on the London Stock Exchange. It is therefore with great pride that I present this set of financial results, our eighth as a public company, and one in which we have once again made substantial progress.

We trace our origins back to 1989, and the foundation of Focusrite Audio Engineering Ltd., which is still the largest operating company in the Group. Our business has completely transformed and evolved since then, and now trades under ten established brands: Focusrite, Focusrite Pro, Novation, Ampify, ADAM Audio, Martin Audio, Optimal Audio, Sequential, Oberheim and Linea Research. Our brands are recognised as category leaders in the music-making, recording, live performance and electronic musical instrument industries. We have offices on four continents and a global customer base with a distribution network covering approximately 240 territories.

We have achieved success by pursuing our stated mission of growing both organically and through the acquisition of complementary brands that address similar market verticals.

Music technology encompasses several strands. Our original and core business under the Focusrite brand is that of Audio Interfaces, used by musicians of all abilities, amateur and professional, to record music using the computer as the medium. Focusrite has become the leading brand globally in this field.

We have added to Focusrite with musical instruments (Novation, Sequential and Oberheim synthesisers), loudspeakers for the recording studio (ADAM Audio) and live performance and installations (Martin Audio). Martin Audio has created a second brand, Optimal Audio, for installation in public spaces like bars, restaurants, and other areas where low operating expertise is available, but quality performance is expected. In the last year Martin Audio acquired Linea Research, the supplier of amplifiers to Martin Audio and a well-established and respected brand in its own right.

Within months of acquiring Martin Audio in 2019, the world was hit by COVID-19. With demand for Martin Audio's products impacted by the pandemic, Martin Audio's management did an outstanding job of managing costs and refocussing the business on the installation market where government mandated lockdowns were seen as presenting an opportunity for venue owners to invest in assets in public performance spaces and houses of worship and I am pleased to report that since the lifting of live music restrictions Martin Audio's business has prospered with demand for festivals and touring solutions and overall continuing to grow beyond pre-COVID levels.

Conversely, as many millions were forced into various lockdowns, Focusrite experienced a substantial uplift in demand globally for our interface and musical instrument products. As anticipated, demand and sales volumes for home creation solutions have reduced from the unprecedented high levels of demand during the peak of the pandemic but pleasingly remain materially ahead of pre COVID-19 pandemic levels. Many trade sources cite continued strong demand for streaming services and content creation, giving us confidence that this strong demand is sustainable.

The Focusrite Scarlett product range continues to be a standout success. This is a range of inexpensive, easy to set up and use, audio interfaces used by musicians and others to record digitally, which is how music is mostly recorded these days. By using our products, many musicians have rediscovered their passion and learned to record for the first time at home. Others, most notably podcasters, producers of content for radio, and voice actors in television and film who are now also able to work remotely, also use our technology at home. The change in working practices is now well established. It is also cost effective and flexible, compared with having to bring talent into a studio.

When sales of Scarlett rapidly increased during the lockdowns, our manufacturing partners in Malaysia and China stepped up to the challenge. Despite some supply chain challenges, notably with silicon chips, our operations management and our partners deftly managed the situation to ensure that we consistently met the demand. This was reflected in exceptional FY20 and FY21 performance. This sustained high level of demand is reflected in FY22 revenue, which is well above the pre pandemic levels of FY19, albeit not at those peak levels.

This demand has been further boosted by the successful acquisition and integration into the Group of Sequential, a classic American brand of synthesizers which in turn has acquired the Oberheim brand. Two hugely popular synthesizer brands under one roof, based in San Francisco, has enabled the company to meet all our expectations and more, for this acquisition.

After the pandemic boom, FY22 has been a year of restoring normality and stability. We have paid for our recent acquisitions with our existing cash reserves and maintained a largely unleveraged balance sheet. We have rebuilt our inventories, which were depleted during peak demand, achieved price increases to support Group margins, which have come under significant pressure, and since year end are finally seeing cost reductions in shipping. We are managing other inflationary impacts and have turned in a Group performance that is still significantly ahead of pre COVID results.

The outlook remains positive for the Group. We are continuing to invest in new product development in all our businesses to grow each of them to deliver increased market share objectives and seize new market opportunities. We are investing in new brands and businesses that fit our strategic objectives to build a truly great family of brands. This is an area where we employ a dedicated business development manager and to which I personally contribute through my network of contacts and recognition established over many decades working in the industry.

In January 2022 I formally stepped down from my executive role; I am today Non-executive Chairman of the Group, and I remain as committed as ever to the success of the Group. I am grateful to the skill and efforts of the entire executive leadership team, the business leadership teams and all our Group employees, who continue to be the driving force of our success.

Music will always play a vital role in our lives and despite the many macro-economic challenges we face, not least the consequences of the continuing conflict in the Ukraine for which we hope for a swift and peaceful conclusion, we look forward to a successful FY23.

Philip Dudderidge
Founder and Non-executive Chairman

CEO Statement

I am pleased to report our results for the financial year ended 31 August 2022. The Group has performed admirably during a period of unprecedented global challenges, once again delivering revenue growth and executing on its strategy of both organic growth and successful acquisitions, adding two new brands to our family: Oberheim and Linea Research.

FY22 saw some return to normality as the COVID-19 pandemic subsided and the resultant slow but steady return of the live sound business. Additionally, demand for content creation solutions continued to be steady over the year, compared to record high volumes in 2021 during the peak of worldwide lockdowns. Most pleasingly demand remains materially higher than at pre COVID-19 levels.

FY22 was not without its challenges, particularly in component supply issues; high freight costs; war in Europe; heightened signs of recession and an increased cost of living world-wide. Despite this the Group has fared well throughout the period, by leveraging the size and scale of our organisation to deftly negotiate component and freight costs, and by raising prices across most brands to partially mitigate margin impact. Importantly, the Group brought 22 new products to market, continued to invest in our infrastructure to support a global organisation, and further refined our routes to market approach.

Our employee base has grown to over 500 strong and is supported by a distribution network covering over 240 territories. Investing in our people is paramount to our success and we look wherever possible to promote from within, whilst also hiring top talent from around the world, across all divisions and brands.

Our key locations are in the UK (High Wycombe, Hertfordshire and London), Germany (Berlin), Hong Kong, Mexico, Australia and the US (Los Angeles, Nashville and San Francisco). Our employee base consists of an incredible group of passionate individuals, many accomplished musicians, DJs, audio engineers, live sound specialists and podcasters in their own right. The Group is fortunate to have so many employees who use our solutions in real world applications, bringing their feedback and experiences back into their work to continually improve our offerings.

Creating a great place to work is one of the core pillars for our growth strategy. The Group recruits and retains the top talent in our industry. We continue to invest in our employees with tactical training, an increased HR footprint, regular reviews, career advancement opportunities across the brands, biannual surveys, and consistent communication. This past year, we onboarded our first Group Head of People as well as a Head of HR for the US region. From our various employee surveys, we know our employees highly value Diversity and Inclusion (D&I) awareness, and champion green initiatives and charitable efforts inside our industry. The Group has made good strides in advancing all these causes, positioning itself to be an industry leader on these fronts.

Our Operations

The Group’s portfolio of products is sold in approximately 240 territories across the Globe. We are acutely aware that the landscape in which customers want to purchase our solutions is ever evolving, which in turn presents us with new opportunities. Hence, we continue to refine our routes to market; utilising a combination of retailers and system integrators (online as well as bricks and mortar shops), regional distributors, and direct to end user via our own e-commerce platform and in-app sales.

Last year we sold over 1.5 million physical products and had over 1.3 million downloads of our various software titles. Across the Group, we launched 22 new products along with numerous updates to existing ranges. Our manufacturing approach is multifaceted, driven by the specific needs of each individual brand, with a mixture of manufacturing on site and mass production in China and Malaysia.

Our Markets

The Group's portfolio could be categorised into two, broad categories:

- Solutions that enable the creation of content – approx. 83% of FY22 revenue; and
- Solutions that enable the reproduction of sound – approx. 17% of FY22 revenue

These two broad categories have distinct customers, routes to market and product specific technical requirements.

Most of our products across Focusrite, Focusrite Pro, Novation, Ampify, ADAM, Sequential and Oberheim are focused on Content Creation. These products are used by a wide range of customers for creating music and audio content: from absolute beginners, hobbyists to aspiring and seasoned professionals, many of them household names.

Martin Audio, Optimal Audio and Linea Research products are focussed on professional Audio Reproduction. These solutions offer best in class sound for small bands to the largest professional tours and festivals, and for permanent installations for bars, clubs, corporate, houses of worship, theatres and performance halls.

Each of the individual business units continue to focus on innovation, ensuring a robust roadmap of refreshes for current products whilst also introducing completely new solutions. Content creation and live sound reproduction workflows are constantly evolving, and the Group aims to lead the industry by spending considerable effort and resources in our various R&D efforts. Additionally, the Group has a very proactive stance towards M&A, carefully considering potential acquisitions that are not only earnings enhancing, but which can also expand our reach into existing and new markets, and enhance our R&D capability.

The Group is committed to learning as much as we can from our customers, actively collecting data during their on-boarding and user journey as they use our solutions. Additionally, we collate our own data with industry market sources to ensure that we are always on top of our customers' needs and buying behaviours. Greater detail on our markets and customer types is provided elsewhere in this report.

Operating review

Despite the numerous macroeconomic and global supply chain issues experienced this year, the Group still delivered top line growth and made considerable progress in restocking our distribution channels. We also progressed a number of initiatives across routes to market, and ESG, and invested in our employees and IT infrastructure across the Group. This investment, along with continued heightened freight and component costs in the year, resulted in an adjusted EBITDA below the record profits achieved in FY21, but still an admirable performance, given the factors cited above and well above FY20 and the last pre pandemic year of FY19.

Revenue for the Group was £183.7 million, up 5.6% from the previous year. Our Content Creation focused brands; finished the year roughly flat over the previous year, but this was against a very strong comparable in the previous year driven by the lockdown boost. ADAM Audio was materially impacted by component shortages that caused stock-outs on their very popular A Series mid-range monitors and consequently this impacted the release for the refresh on this line. This was partially offset by the full year effect and strong performance from Sequential which joined the Group in FY21. Looking forward to FY23, we expect to see recovery to more normal levels of performance at ADAM Audio.

Our Audio Reproduction brands, all witnessed strong growth, increasing 56% over prior year. This was primarily fuelled by the return of live events across the globe and the addition of Linea Research in March.

Purchase of Linea Research

Linea Research manufacturers professional power amplifiers and digital signal processors and joined the Group in March 2022. The acquisition has helped secure amplifiers for Martin Audio (which is a long-standing customer of Linea Research) during this critical time. This was achieved using the Group's considerable expertise in sourcing components thereby helping to shore up supply. Since joining the Group, Linea Research has significantly increased production to meet market demand that continues to grow, alongside further integration into the Group and investment in people to fuel continued growth for the future.

Linea Research significantly increases the total addressable market for the Group by having our own brand sales of professional electronics to the professional live and installed sound sector.

Purchase of Oberheim Brand

Oberheim Electronics was founded in 1969 and rose to prominence as a synthesizer producer throughout the 1970s. By the mid-80s, it had risen to prominence and powered the characteristic sound of hits like Jump by Van Halen, 1999 by Prince, and Flash by Queen, among many others.

Changing musical tastes combined with delays in introducing new products resulted in the Oberheim brand all but disappearing by the late 1980s, but the keyboards continued to be prized by collectors, with vintage instruments often fetching over $20,000 on the second-hand market.

Recognising this value and through our relationship with Tom Oberheim, the Group acquired all the IP and trademarks relating to Oberheim synthesisers in May 2022. Our strategy is to collaborate with Tom to bring to life an entire portfolio of Oberheim instruments, to expand our share of the synthesizer market and to offer an alternative that appeals beyond the core Sequential customer base. While it is early days on this journey, the market interest and positive feedback we have received, particularly regarding the recent launch of the OBX8 has been extremely encouraging and we look forward to our revival of this legendary brand.

Current economic challenges

As the pandemic began to subside, a number of challenges related to COVID-19 remained throughout the year. Additionally, as the year progressed new global macro factors have also added complexity and concern across our industry, like many others. As with previous years, the Group has met these challenges head on, working tirelessly to ensure a steady and reliable flow of products to our channel; protecting the well-being of our employees, and mitigating the impact of cost inflation on gross margin.

Component availability and pricing, as cited in last year's report, is an ongoing concern that virtually every manufacturer has had to deal with. During this past year, demand for silicon and wafers has continued to increase, causing lead times and pricing to remain at unprecedented levels. The Group has had to face leads times as long as 36 months as well as spot buys on the open market at exaggerated prices. We have benefited from placing early orders during the onset of COVID-19, resulting in most of the major components flowing in on a regular basis. However, we have encountered numerous occasions where shipments have not arrived on time, requiring us to look at even more elevated spot buys or the potential of stock outs in our channel. We continue to monitor and mitigate this issue rigorously, leveraging the size and scale of the Group's overall component needs to negotiate priority and better pricing.

Likewise, freight and logistics costs have also continued throughout last year at unprecedented high pricing levels, although we have seen reductions since year end. During the second half of last year, the Group did see some reduction on lead times as well as pricing, but these still finished the year materially higher than in previous years. Again, the Group has leveraged our scale to address this issue, and in addition, has negotiated with a number of major resellers to collect up their orders directly from China and thus take on the freight and duty cost themselves.

Beyond working on the above issues as a Group as opposed to individual brands, we also put through price increases throughout last year to help offset some of the gross margin impact. These price increases were calculated by looking at mid to long term forecasts on costs, price elasticity models for every category, and discount structures for our channel.

The Group has kept a watchful eye on rising global economic issues around inflation, cost of living, and the protracted war in Ukraine. Over the past few years, the Group has invested more into our IT infrastructure enabling us to monitor the current and projected future performance of our businesses better and thereby improving the speed and quality of our decision-making.

Brand overview

Focusrite and Focusrite Pro

Our Focusrite branded family of audio interfaces, Scarlett and Clarett, offer customers high quality solutions to capture and process audio. Across this past year, while demand levels were not as high as during the pandemic periods, demand for our audio interfaces has remained at steady levels, and materially up over pre pandemic volumes. Additionally, we have expanded our suite of FAST plug-ins, offering both perpetual licenses as well as rent to own schemes.

This past year, we introduced a new Focusrite branded suite of products focused on Podcasting. Podcasting is now a well established media form in its own right and with a massive following. There is a growing number of new podcasts every month, and in turn growing advertising revenue. To serve these customer's unique needs, we launched the Vocaster series in June 2022. These solutions have received rave reviews in both mainstream magazines such as the New York Times, Macworld and Forbes, as well as with key influencers and sites dedicated to Podcasting.

The Focusrite Pro suite of solutions provides professional audio engineers and facilities with the best quality audio in scalable systems that fit the need for any professional workflow. This year's performance continued to be impacted by component shortages leading to a decline in sales over the prior year. We expect supply to remain constrained in this area over the coming year.

Novation and Ampify

Electronic music, and its many genres, continues to grow and to democratise the art of music creation. This past year, we introduced three new products to our controller keyboard line: the Launchkey88, the FL Studio Mini and FLStudio 37. These new offerings offer more choices to musicians looking for tight integration with the world's most popular music creation software.

Ampify expands the Group's electronic music offerings into free to download iOS and cross-platform desktop solutions that allow anyone to experiment with and create high-quality soundtracks. Our iOS music creation app, Launchpad OS, is one of the most popular electronic music apps available. Over the past year, both offerings had 1.28 million downloads, with roughly 192,000 in-App purchases. Last year, we began monthly and annual subscription services for both platforms. This year the number of subscribers grew by 44% and the monthly recurring revenue grew by 51%.

ADAM Audio

ADAM Audio professional studio monitors are known internationally as one the most accurate and reliable suite of reference monitors available. 2022 has brought with it much anticipated product launches for ADAM Audio, most notably, the all new A Series. The A Series builds on and reinvents our industry standard AX models, trusted in thousands of studios across the globe. The A Series has been the largest launch in ADAM Audio's history, with a successful rollout of all five models and strong demand. Due to various component shortages and lockdowns during the first half, the A Series shipped much later than originally planned, with products not getting into the channel until late in the second half of the year. This resulted in a period of almost five months where supply of the old AX series was limited, and the new A Series was not available. Across all our brands, ADAM Audio was the most impacted from component issues, but we are pleased to report that supply and production are now flowing smoothly again. There is also more on the horizon as its portfolio roadmap has been reviewed and we aim to fulfill these plans with an expanded R&D team over the coming year.

Martin Audio

Martin Audio remains and has extended its lead as the UK's largest manufacturer of professional loudspeakers for both live and installed sound. Following the pandemic, FY22 was the first year that live performances returned in full force including some of the world's largest festivals such as BST Hyde Park and Glastonbury where Martin Audio graced the main stages once again. Major system sales of products capable of throwing 30 metres plus followed and brought a host of new rental partners to the Martin Audio fold. This was further supported by runaway sales of our flexible TORUS constant curvature system for throws of 15 - 30 metres, which won many plaudits and fans throughout the live sound community. Further refinement to our 3D system design software – Display3 – has been well received and has enabled rental partners to better understand the performance of our sound systems.

Installations which provided a bed rock of revenue in FY21 further accelerated in FY22, as much like live sound, people around the world ventured out in ever bigger numbers to re-experience venues for hospitality and entertainment. This meant a further increase in sales of ranges designed for up to 15m throws, most notably with our popular CDD and ADORN install ranges as well as fuelling yet further sales of TORUS.

"Supply-chain" was the watch word of the industry in 2022. Decisions taken during the height of the pandemic around long term relationships with suppliers contributed to Martin Audio being better placed than many as demand surged across the industry. Equally, this year the team has worked proactively to mitigate supply challenges, and this has helped with a continuity of supply against a backdrop of elevated demand.

Optimal Audio

Optimal Audio delivered meaningful revenue for the first time and reaffirmed the belief that the brand has a bright future targeting commercial audio sectors with electronics and speakers for throws up to 15 metres. This year the brand signed 50 distribution agreements, and added notable products including more ceiling and on-wall speakers as well as further enhancing its WebApp, seen as the key to the success of the eco-system approach of the brand.

In its first full year of trading Optimal Audio returned a small profit as we continue to invest in R&D for future growth in the commercial audio space.

Linea Research

In March of this year Linea Research, a long time supplier of amplifiers to Martin Audio joined the Focusrite family. Linea Research has begun to work closely with Martin Audio, to improve supply chain planning and robustness and to work collaboratively on new product ideas. Performance in the five months in which Linea Research has been part of the Group has exceeded expectations.

Sequential

This year concludes the first complete fiscal year with Sequential as a member of the Group. Sequential products continued to win awards from the industry, with Music Radar declaring Take 5 as its Best Hardware Synth of 2021, and Prophet-5 picking up the Award for Technical Achievement in the Musical Instrument Hardware category at the National Association of Music Merchants TEC Awards in June 2022.

Demand for analogue synthesizers continues to be strong and Sequential managed production and component inventory carefully throughout the year, avoiding any major interruptions to the continued supply of all existing products, from the entry-level Take 5 through to its higher-end models.

Tragically, Dave Smith, founder of Sequential and leader of the engineering team, died unexpectedly in May 2022. We pay tribute to the immense contributions he made to the art of synthesizer design and intend to carry his spirit of design innovation into the future. We offer our heartfelt condolences to his family, friends and colleagues.

Several members of the product team have stepped into expanded roles, and the company remains fully equipped to bring new products to market on time. The Sequential team expanded to 21 full-time team members, with approximately half of them engaged in research and development.

In May 2022, the Group added the Oberheim brand to its portfolio by acquiring all the IP and trademarks owned by Tom Oberheim. We launched the Oberheim OBX8 keyboard shortly afterwards. The Oberheim OBX8 was the culmination of a year-long design collaboration between Tom Oberheim and the Sequential team, and the acquisition and product together represent the welcome return of the iconic brand. With this second leading synthesizer brand, the Group can dramatically expand its market reach and appeal to a wider range of synthesizer buyers. We are at work on producing a full product line of Oberheim offerings.

The return of Oberheim was enormously exciting news within the industry. As Trent Reznor, Academy Award winner and creative force behind Nine Inch Nails, put it in a Forbes magazine article covering the revival of Oberheim: “The incredible Oberheim sound absolutely holds its own in the present.” The new OBX8 product design won over many fans and became an immediate success. Our production capacity continues to be absorbed with fulfilling the heavy order interest.

We remain excited about the product roadmap and overall potential for these two legendary brands and plan multiple new products to drive growth throughout FY23 and beyond.

Routes to Market

The Group’s routes to market strategy is constantly evolving. We are investing considerable time and resource in order to improve efficiency and margin in this area. We aim to ensure we are on top of customer buying behaviours, trends and opportunities in every region we service.
Our content creation brands utilise a combination of brick-and-mortar shops, e-tail focused resellers, distributors and our own direct to end user e-stores. Our audio reproduction channel includes rental companies, system integrators, distributors, and sales directly to end customers.

We continue to invest in people and infrastructure in local regions, allowing us to service our resellers and end users locally and in their own language. Most regions have their own demand generation teams, working with local artists and the community to ensure our products are represented and resonate with customers.

Regional review

The Group reports regional performance in three groups: North America, EMEA and Rest of World (comprising APAC and LATAM). Top line revenue numbers for North America and EMEA were flat year over year, with ROW growing at 30%.

North America

North America remains our largest region for the Group, accounting for 41% of total revenue in FY22. This past year, and coming off very high prior year comparatives, our Content Creation brands finished at 95% compared to the prior year. Our Audio Reproduction brands, coming off a very low base from lockdowns, had a very strong performance at 69% up over prior year. Our North American operations include sales and marketing, customer support, finance, and remote employees across product and engineering. Last year's creation of one unified team in the US has settled in well and allowed the group to continue to leverage the size and scale of our brands.

Europe Middle East and Asia (EMEA)

Europe remains our second largest region, comprising 38% of total revenue in FY22. Eight out of ten of the Group's brands are headquartered in Europe. As part of our route to market evolution, all our Content Creation brands now have a centralised sales and marketing team focused on the EMEA region. This new structure, formally started on 1 September 2022 will give us one unified team representing the totality of our Content Creation brands to our resellers.

We believe this structure will allow us to scale our demand generation efforts and work closer with our local resellers and distributors to ensure our brands are front of mind with their customers. Our Content Creation brands, coming off very high pandemic level comparisons and facing headwinds caused by the conflict in Ukraine and concerns about recession, still managed to turn in a good performance, finishing approximately 10% down when compared to the prior year. Our Audio Reproduction brands, coming off a low base during lockdowns, also turned in a strong performance, finishing the year 103% up on the prior year.

Rest of World (ROW)

The ROW region comprises Asia Pacific (APAC) and Latin America (LATAM). Overall, ROW represents 21% of the Group's total revenue in FY22, up 30% compared to the previous year and in line with our initiatives to grow this region. Our Content Creation brands had a strong year, finishing the year 38% up versus the prior year. This was partially due to the continued investment in the region. LATAM now has a team of eight people across the region for sales, marketing and support functions. For APAC, this past year saw the Group go direct in Australia, setting up our own logistics and warehouse to supply our Content Creation brands directly to the reseller channel.

Additionally, more localised content and demand generation efforts proved fruitful in both China and Japan, areas where the Group will continue to invest. For our Audio Reproduction brands, ROW finished the year 12% up versus the prior year. This was lower than the growth in other regions primarily due to ROW's live sound and installed business coming back much earlier in 2021 than in other regions.

Summary and Outlook

I am immensely proud of the Group's performance this past year: our leadership teams continue to prove they can meet both ordinary and extraordinary challenges head on and achieve strong results. Whilst there is still much well publicised uncertainty about global markets, we continue to see the strengths of our brands driving healthy demand across the entire portfolio. For the current year, our first quarter trading has finished in line with our expectations. Overall demand for the Group's portfolio of products has remained strong.

We remain mindful of the current significant global economic and political challenges, as well as the ongoing cost pressures in the supply chain, but we have worked hard to build back our inventory position. This provides greater resilience against supply chain volatility and ensures we are able to meet demand as we head into the key holiday season in FY23.

We have also introduced a number of measures to maintain margins, through pricing actions and ongoing review of our production costs. With new product launches across the product portfolio planned for FY23 and beyond we remain confident that the Group continues to have significant organic growth potential within our existing brands. In tandem, the Group has proven that it has the capability to successfully execute on its proactive M&A strategy, carefully considering potential acquisitions that are not only earnings enhancing, but can also add to our market potential, expand our R&D footprint, and add scale and dynamism to our business.

All these factors combined leave us optimistic about our future prospects.

Tim Carroll
Chief Executive Officer

Financial Review

Overview

Overall the Group has had a resilient year, delivering revenue growth of 5.6%, but the global macro headwinds have resulted in a decline in adjusted EBITDA of 12.2% and a decline of 9.6% in adjusted diluted earnings per share (EPS).

Income statement

	2022 £m Adjusted	**2022 £m Non-underlying[1]**	**2022 £m Reported**	2021 £m Adjusted	2021 £m Non-underlying[1]	2021 £m Reported
Revenue	**183.7**	**-**	**183.7**	173.9	-	173.9
Cost of sales	**(100.4)**	**-**	**(100.4)**	(89.8)	-	(89.8)
Gross profit	**83.3**	**-**	**83.3**	84.1	-	84.1
Administrative expenses	**(48.6)**	**(6.0)**	**(54.6)**	(42.7)	(5.6)	(48.3)
Operating profit	**34.7**	**(6.0)**	**28.7**	41.4	(5.6)	35.8
Net finance income (expense)	**1.9**	**-**	**1.9**	(0.8)	-	(0.8)
Profit before tax	**36.6**	**(6.0)**	**30.6**	40.6	(5.6)	35.0
Income tax expense	**(6.0)**	**0.2**	**(5.8)**	(6.9)	0.2	(6.7)
Profit for the period	**30.6**	**(5.8)**	**24.8**	33.7	(5.4)	28.3

1 Non underlying costs and income as defined in note 2 and note 7 to the financial statements.

Revenue

Revenue for the Group grew 5.6% from £173.9 million to £183.7 million; adjusting for acquisitions and constant currency this is an organic decline of 2.8%. Sequential was acquired at the end of April 2021 and FY21 included four months of revenue, Linea Research was acquired in March 2022 and FY22 includes six months of revenue.

The Euro average exchange rate was €1.18 (FY21: €1.14). Sterling has weakened against the US dollar from $1.36 in FY21 to $1.31 in FY22. This has increased reported revenue but the currency impact is broadly neutral at a gross profit level as the majority of cost of sales are also charged in US dollars.

	FY22 Revenue	**FY22 Acquisition**	**FY22 Organic**	FY21 Revenue	FY21 Exchange	FY21 Constant Currency	**FY22 Revenue Growth**	**FY22 OCC Growth[1]**
Focusrite	**97.2**		**97.2**	102.1	1.5	103.6	**-4.8%**	**-6.2%**
Novation	**20.6**		**20.6**	**22.3**	0.3	22.6	**-7.6%**	**-8.9%**
ADAM Audio	**17.8**		**17.8**	23.8	-0.4	23.4	**-25.2%**	**-24.0%**
Martin Audio	**31.9**	**(3.1)**	**28.8**	20.4	0.3	20.7	**56.4%**	**39.5%**
Sequential	**16.2**	**(10.0)**	**6.2**	5.3	-	5.3	**205.7%**	**17.9%**
Total	**183.7**	**(13.1)**	**170.6**	173.9	1.7	175.6	**5.6%**	**-2.8%**

[1] OCC (organic constant currency growth). This is calculated by comparing FY22 revenue to FY21 revenue adjusted for FY22 exchange rates and the impact of acquisitions.

Revenue growth of 5.6% for the full year has improved since the half year (HY22: -2.5% reported), with revenue in the second half of the year growing by 15.5% compared with the second half of FY21. Revenue in the second half was helped by improved component supply which was a significant issue in the previous 18 months, a strong dollar (with 41% of the Group's sales in North America), and the introduction of new products across several of our brands, in particular the new A Series in ADAM Audio and OB-X8 in Sequential, both of which have been launched to critical acclaim.

The Focusrite segment comprises the products used in the recording and broadcasting of music or voice, the primary ranges being Scarlett and Clarett, declined by 6.2% on an organic constant currency basis and 4.8% on an organic basis to £97.2 million (FY21: £102.1 million). Revenue for the Novation synthesizer and controller ranges decreased, on a reported and organic constant currency basis by 7.55% and 8.9% respectively to £20.6 million (FY21: £22.3 million). Both segments are against strong comparators, particularly during the first half of FY21, and included sales to rebuild stock in our channel to be ready for the forthcoming holiday season.

ADAM Audio makes studio monitors of the type used by many of the Group's customers. Revenue has reduced by 25% in the year (24% on an organic constant currency basis) to £17.8 million (FY21: £23.8 million). With the resolution of the problems experienced in the transition of the A Series range in the first half of the year, ADAM Audio's revenue strengthened in the second half to £9.4 million from £8.4million in the first half, and with the successful launch of the A series expects to see revenue improvements in the upcoming year.

Martin Audio has built on the growth seen in the first half of the year of 44% with full year reported revenue growth of 56% (39% on an organic constant currency basis reflecting the acquisition of Linea Research in March 2022) and with revenue of £31.9 million for the year, compared to £20.4 million in FY21. The resurgence in live sound following COVID-19 lockdowns has contributed to this growth, as has the extension of the Optimal range, now contributing £1 million to Martin Audio's overall sales.

Sequential also had a strong second half with growth of 82% leading to full year growth of reported revenue of over 200% (18% on an organic constant currency basis: FY21 includes only 4 months of sales from Sequential's acquisition in April 2021). The introduction of the OB-X8 Synthesiser in the final quarter of the year supported this growth, being the first of the new Oberheim products, following the acquisition of the Oberheim brand in May 2022.

	FY22 Revenue	**FY22 Acquisition**	**FY22 Organic**	FY21 Revenue	FY21 Exchange	FY21 Constant Currency	**FY22 Revenue Growth**	**FY22 OCC Growth**[1]
North America	**74.5**	**(4.8)**	**69.7**	74.6	2.4	77.0	**-0.1%**	**-9.4%**
EMEA	**70.1**	**(6.8)**	**63.3**	69.3	(1.9)	67.4	**1.2%**	**-6.1%**
Rest of the World	**39.1**	**(1.5)**	**37.6**	30.0	1.2	31.2	**30.3%**	**20.5%**
Total	**183.7**	**(13.1)**	**170.6**	173.9	1.7	175.6	**5.6%**	**-2.8%**

[1] OCC (organic constant currency growth). This is calculated by comparing FY22 revenue to FY21 revenue adjusted for FY22 exchange rates and the impact of acquisitions.

North America represents 41% of the Group's revenue and saw negative 9% organic constant currency revenue decline, against a particularly strong FY21 COVID tailwind. Due to the strength of the dollar during the year reported revenue was broadly flat between years. Compared to FY20 the Group's revenue in this region is still ahead by 46% on a reported basis. Focusrite brands grew by 6% on a reported basis in the second half, with channel stock returning to levels in line with our service expectation, but against strong full year comparators, resulted in a full year decline of 5%. ADAM Audio's stock situation was particularly weak in this region, with reported revenue for the full year lower by 50%. This was more than offset by the exceptional growth for Martin Audio which grew by 56% for the full year on a reported basis.

EMEA, which represents 38% of Group revenue, grew marginally by 1.2% (-6.1% on an organic constant currency basis) to £70.1 million. This growth was led by Martin Audio, where sales more than doubled in this region for the year. Both Focusrite and ADAM Audio reported overall revenue decreases across the year, against strong comparators.

ROW comprises mainly APAC and LATAM and represents the remaining 21% of Group revenue. Revenue in ROW grew strongly by 30.3% (20.5% on an organic constant currency basis), with growth across the majority of our brands. This region was particularly strong for in APAC, as we continue to strengthen our local presence in these markets, launching our own distributor in Australia in December 2021, resulting in 55% reported revenue growth for the year for our Focusrite brands in this region.

Segment profit
Segment profit is disclosed in more detail in note 7 to the Group's financial statements 'Business Segments'. The revenue is compared with the directly attributable costs to create a segment profit. The only major change has been the inclusion of Linea Research upon acquisition and the inclusion of Focusrite and Focusrite Pro into one segment, reflecting the way these brands are now managed

Gross profit
In FY22, the gross margin was 45.3% down from 48.4% in FY21, which included a one-off benefit from US duty rebates of £1.5 million (0.9% points of margin). The remainder of the decline was principally due to the high freight rates and the increased costs from component spot buys experienced in the first half of the year continuing into the second half, with sea freight rates only recently starting to reduce to closer to pre pandemic levels. Going forward the Group is mindful of the current inflationary environment on costs, and whilst we seek to mitigate this through pricing, as we have done this year, we expect some impact from promotional pricing over the competitive holiday season, which may offset some of the benefits from lower freight.

Importantly, the gross margin remains higher than the historic pre COVID-19 levels of 42.2% in FY19. Since FY19 structural factors, such as improved routes to market, with more products being sold either directly to dealers rather than distributors or directly to the consumer together with focused cost and price management and, reducing royalties and tariffs, have successfully more than offset the increased costs of components such that margins have improved.

Administrative expenses
Administrative expenses consist of sales, marketing, operations, the uncapitalised element of research and development and central functions such as legal, finance and the Group Board. These expenses were £54.6 million, up from £48.4 million last year. These costs also include depreciation and amortisation of £7.0 million (FY21: £6.1 million), amortisation of acquired intangible assets, £5.1 million (FY21: £4.0 million) and non-underlying items, £0.9 million (FY21: £1.6 million), which are discussed further below. Excluding these items, administrative costs were £41.6 million (FY21: £36.6 million), an increase of £5.0 million over the prior year.

Acquisitions partially contributed to this increase with the annualisation of Sequential contributing £0.9 million and the inclusion of Linea Research a further £0.4 million. With the opening of markets travel and marketing costs have increased, although not to pre COVID levels, as teams adjust to a hybrid way of working, adding £1.5 million of cost this year. In addition, we have strengthened our IT infrastructure and a central team now supports all Group companies, with standard approaches to security and governance, and an agreed roll out plan for our Group ERP system, Oracle Netsuite.

We continue to invest in our product teams and local sales and marketing, with distribution now managed by a local team in Australia, the costs of which have been offset by increased gross profit in this market.

Adjusted EBITDA
EBITDA is a non-GAAP measure but it is widely recognised in the financial markets and it is used within the Group, as adjusted for non underlying items, as a key performance measure and as the basis for some of the incentivisation of senior management within the Group. Adjusted EBITDA decreased from £47.5 million in FY21 to £41.7 million in FY22. This was primarily as a result of the factors affecting costs and gross margin as described above.

	2022 £m Adjusted	2022 £m Non-underlying	2022 £m Reported	2021 £m Adjusted	2021 £m Non-underlying	2021 £m Reported
Operating profit	34.7	(6.0)	28.7	**41.4**	**(5.6)**	**35.8**
Add – amortisation of intangible assets	4.8	5.1	9.9	**4.1**	**4.0**	**8.1**
Add – depreciation of tangible assets	2.2		2.2	**2.0**	**-**	**2.0**
EBITDA[1]	41.7	(0.9)	40.8	**47.5**	**(1.6)**	**45.9**

[1] EBITDA is defined as earnings before tax, interest, depreciation, and amortisation. Adjusted EBITDA includes items treated as non-underlying which are explained in note 15.

Depreciation and amortisation
Depreciation of £2.2 million (FY21: £2.0 million) is charged on tangible fixed assets on a straight-line basis over the assets' estimated useful lives. Amortisation on non-acquired intangibles is mainly charged on capitalised development costs, writing-off the development cost over the life of the resultant product. Development costs related to an individual product are written-off over a periods of between two years to ten years reflecting the different lifespans of the products across our brands. Normally, the capitalised development costs are greater than the amortisation, reflecting the continued investment in product development in a growing group of companies.

During FY22, capitalised development costs were £7.9 million (FY21: £4.9 million), compared with amortisation of £3.9 million (FY21: £3.5 million). As expected, our development costs have increased this year as the Group's R&D teams build out the future product roadmap, investing in the development of the new products launched during the year and we have begun to capitalise costs for Sequential, with £1.6 million being capitalised from this brand in the year. In addition, this year we acquired licences to utilise certain technologies which have added £1.7 million to intangible assets.

Non-underlying items

In FY22 the Group acquired Linea Research with associated acquisition costs relating to the transaction of £0.6 million (FY21: £0.7 million relating to Sequential acquisition). In addition, as part of the acquisition, the Group has agreed to pay employee bonuses if agreed gross profit targets to May 2023 are achieved. It is currently anticipated that these targets will be achieved and £0.1 million of non-underlying costs has been included for these bonuses, which will continue pro rata in FY23. Also included is £1.1 million (FY21: £0.8 million) relating to a bonus for Sequential employees, based on achieving gross profit targets to December 2022. These costs have been offset in FY22 by £0.8 million of income relating to the sale of a trademark. In FY21 a further £0.1 million of employee related costs related to restructuring has also been included in non-underlying costs. Non-underlying items also include amortisation of the intangible assets from acquisitions of £5.1 million (FY21: £4.0 million). This has increased due to the inclusion of amortisation on the Sequential and Linea Research brands. See note 7 to the financial statements.

Foreign exchange and hedging
Sterling has marginally strengthened against the euro between years, but has weakened more significantly against the US dollar.

Exchange rates	2022	2021
Average		
USD:GBP	**1.31**	1.36
EUR:GBP	**1.18**	1.14
Year end		
USD:GBP	**1.16**	1.38

EUR:GBP	**1.16**	1.12

Sterling has weakened against the average US dollar rate from $1.36 to $1.31. The US dollar accounts for 41% of Group revenue but over 80% of cost of sales so this has increased revenue but is neutral in terms of gross profit.

The Euro comprises approximately a quarter of revenue but little cost. The Group has continued entering into forward contracts to convert euro to sterling. The policy adopted by the Group is to hedge approximately 75% of the euro flows for the current financial year (year ended August 2022) and approximately 50% of the euro flows for the following financial year (FY23). In FY22, approximately three-quarters of euro flows were hedged at €1.13, and the average transaction rate was €1.18, thereby creating a blended exchange rate of approximately €1.14. In FY21, the equivalent hedging contracts were at €1.11, again close to the transactional rate of €1.14 and so creating a blended exchange rate of €1.12.

Finance income of £2.3 million (FY21: £nil million) includes a large gain from retranslation of US dollar balances within the Group, which is not expected to re occur.

Corporation tax

In FY22, the corporation tax charge totalled £5.7 million on reported profit before tax of £30.5 million, an effective tax rate of 18.9% (FY21: 19.3%). Adjusting for non-underlying items the effective tax rate is 16.2% (FY21: 17.0%) on adjusted profit before tax of £36.5 million. Going forward we expect the effective tax rate to remain broadly in line with the UK corporate tax rate.

Earnings per share

The basic EPS for the year was 42.5 pence, down 12.9% from 48.8 pence in FY21. This decrease is broadly in line with the reduction in operating profits, partially offset by the exchange gain in financial income due to an exceptionally strong dollar at year end. The alternative measure including the dilutive effect of share options, is the adjusted diluted EPS. This decreased by 9.6% from 57.5 pence in FY21 to 52.0 pence in FY22.

	2022 pence	2021 pence	Change %
Basic	**42.5**	48.8	(12.9)%
Diluted	**42.1**	48.2	(12.7)%
Adjusted[1] basic	**52.5**	58.2	(9.8)%
Adjusted[1] diluted	**52.0**	57.5	(9.6)%

1 Adjusted for amortisation of acquired intangible assets, sale of trademark and other adjusting items. See reconciliation note 2 to the financial statements

Balance sheet

	2022 £m	2021 £m
Non-current assets	**87.5**	62.8
Current assets		
Inventories	**48.3**	20.8
Trade and other receivables	**28.9**	16.3
Cash	**12.8**	17.3
Current liabilities (including bank loans)	**(54.2)**	(25.6)
Non-current liabilities	**(18.0)**	(7.3)
Net assets	**105.3**	84.3

Non-current assets

The non-current assets comprise: goodwill of £13.7 million, other intangible assets of £62.0 million and property, plant and equipment of £10.9 million. The goodwill of £13.7 million (FY21: £10.1 million) relates to acquisitions as follows: £0.4 million for Novation purchased in 2004, £4.7 million for ADAM Audio purchased in July 2019, £2.4 million for Martin Audio purchased in December 2019, £2.8 million for Sequential purchased in April 2021 and £3.4 million for Linea Research purchased in March 2022.

The other intangible assets of £62.0 million (FY21: £49.1 million) consist mainly of capitalised research and development costs and acquired intangible assets relating to product development and brand. The capitalised development costs have a carrying value of £13.1 million (FY21: £9.1 million). This increase of £4.0 million comprises the excess during the year of capitalised development costs (£7.9 million) over the amortisation (£3.9 million). The increase represents the ongoing investment in our product teams across the Group and the capitalisation of costs in Sequential this year. Approximately 65% of development costs are capitalised and they are amortised over the life of the relevant products.

Acquired capitalised development costs had a carrying value of £24.2 million (FY21: £21.0 million) at the end of the year, and had increased due to the inclusion of Linea Research's development costs of £5.7 million and the retranslation impact of the Sequential acquired assets of £1.0 million less the annual amortisation charge of £3.5 million.

The remaining intangible assets, totalling £24.8 million (FY21: £19.1 million), include brands acquired as part of the acquisitions, to be amortised over ten years for ADAM Audio and 20 years for Martin Audio, 15 years for Sequential and nine years for Linea Research. In May 2022 this year the Group purchased the Oberheim brands and trademarks from Tom Oberheim for £4.5 million, with an initial payment of £1 million paid in May and the remainder in annual planned payments to FY28. This replaces any future royalty payments and provides a home for Tom to work with our Sequential team to further develop the Oberheim product range.

Tangible assets have increased this year from £3.6 million at the end of FY21 to £10.9 million at the end of FY22 due to the recognition of two new property leases and the addition of the property acquired as part of Linea Research. Martin Audio has renewed its lease on its existing site for a further 10 years and Focusrite has a planned move to new offices in High Wycombe.

Working capital

At the end of the year, working capital was 19.9% of revenue (FY21: 6.6%). This planned increase arises from the Group rebuilding stock to historic norms to support customer demand, particularly ahead of the busy Thanksgiving and Christmas holiday season in 2022. In addition, the Group is holding higher than average levels of raw materials to ensure component supply is secure during FY23. Debtor balances are also high due to strong sales in the final quarter of the year, but as the Group has continued to place great emphasis on the timely collection of debts, this is expected to reduce during FY23. Creditors continue to be paid on time.

As we move to supply customers through more direct routes to market this has also led to an increase in inventory being directly held by the Group rather than by distributors. With the launch of our distributor in Australia in FY22, we now hold £2.0 million of stock in this market to supply our customers.

Cash flow

	2022	2021
	£m	£m
Cash and cash equivalents at beginning of year	17.3	15.0
Foreign exchange movements	0.7	-
Cash and cash equivalents at end of year	12.8	17.3
Net (decrease)/increase in cash and cash equivalents (per Cash Flow Statement)	(5.2)	2.3
Change in bank loan	(13.2)	11.9
(Decrease)/increase in Net Cash	(18.4)	14.2
Add back: equity dividend paid	3.2	2.6
Add back: acquisition of business (net of cash acquired)	10.9	13.9
Free cashflow	**(4.3)**	**30.7**
Add back: non-underlying items	0.9	0.8
Underlying free cashflow[1]	**(3.4)**	**31.5**

[1] Defined as cashflow before equity dividends, acquisition of subsidiary (net of cash acquired) and adjusting items.

In FY22, the net debt balance at the year-end was £0.3 million (FY21: net cash £17.6 million). The Group has a £40 million revolving credit facility (RCF) with HSBC and NatWest due to expire in December 2024. At the year end the Group had drawn down £13.2 million of the RCF to fund the acquisitions of Linea Research and the Oberheim brand as well as our working capital rebuild.

The underlying free cash flow for the full year was a cash outflow of £3.4 million (FY21: cash inflow of £31.5 million) leading to a year end net debt position of £0.3 million (FY21: net cash £17.6 million). Within this, the movement in working capital was an outflow of £26.9 million (FY21: inflow of £1.7 million), largely due to improvements in production and supply as the year progressed enabling a planned rebuild of our inventory levels. Capital investment this year totalled £12.5 million (FY21: £6.6 million), of this £8.4 million related to capitalised R&D reflecting the Group's ongoing commitment to product development. We expect this level of investment to continue into FY23 to support the Group's product roadmap. A further £1.0 million related to the cash impact of the acquisition of the Oberheim brand.

Dividend

The Board is proposing a final dividend of 4.15p pence per share (FY21 final dividend: 3.7 pence), which would result in a total of 6.0p pence per share for the year (FY21: 5.2 pence). This represents an adjusted earnings dividend cover of 8.7 times (FY21: 11.1 times).

Summary

The Group has once again delivered a robust financial performance, despite the prevailing global economic headwinds, and against very strong comparators. Much of the growth achieved during the COVID period has been maintained, and in some regions has continued to increase from this new, larger base. As planned, with production at record levels, FY22 has enabled us to rebuild our inventory in addition to increasing stock in our various channels, ready for the FY23 holiday season. In addition, we have added two new exciting brands to the Focusrite family, as well as delivering new products across all our existing brands, providing strong foundations for our future performance. We have a largely unleveraged balance sheet and are inherently highly cash generative. We have achieved price increases to support margins, and are managing other inflationary impacts to help support future growth.

Sally McKone
Chief Financial Officer

Principal Risks and Uncertainties

Risk management plays an important role in everything we do at Focusrite and its objective is to add the maximum sustainable value to all of our activities.

Overview
As with any business, we face risks and uncertainties especially as the business grows throughout the world. Effective risk management helps support the successful delivery of our strategic objectives. We have an established risk management framework to identify, assess, mitigate and monitor the risks we face as a business and help deliver a balance between risk and opportunity.

Risk Appetite
During the year we reviewed and amended our risk appetite and have set a clear scale for how we categorise and quantify risk. All business teams are responsible for identifying and assessing their risks, both current and emerging, and measuring them against the defined criteria, considering the likelihood of occurrence and the potential impact to the Group.

Risk Management
A principal risk is a risk or combination of risks that can seriously affect the performance, future prospects or reputation of the Group. This includes those risks that would threaten our business model, future performance, solvency or liquidity and are aligned to our strategic goals and priorities. Our principal risks have been determined and reviewed by the General Executive Committee and wider executive team and approved by the Board.

Risk Culture
The Board sets the risk culture for the business. Each risk has a single risk owner who is responsible for the monitoring and mitigation of that risk on an ongoing basis. The principal risks and their changes are reviewed by the General Executive Committee. Their involvement ensures that the importance of risk management flows throughout the Group and risk assessments are included in new projects, business cases and strategic planning.

Emerging Risks
We seek to identify changes in existing risks, whilst also ensuring that there is appropriate focus on emerging risks. The consequences of the COVID-19 pandemic, the war in Ukraine and the threat of a long-lasting global recession dominate the changing and emerging risks we face as a business. We continue to monitor inflationary pressures, the resilience of our supply chain, changes in both routes to market and the retailer landscape and our ability to attract, retain and motivate talent not only in order to try and predict emerging and changing risks but also to ensure that we have an appropriate mitigation plan in place.

In previous years we viewed climate change as an emerging risk but now it is a principal risk that is assessed and the consequences managed through our risk management process.

Current Focus
We monitor and update our principal risks during the year. In doing so, we assess changing and emerging risks and the progress of our risk mitigation plans.

We have reduced the risk associated with our intellectual property following implementation of the Group’s brand protection program. As a result, this is no longer deemed a principal risk. In addition, the risk of a customer or the systems we rely on to support them failing is covered by the cyber risk and the new macro-economic risk categories.

Finally, the principal risk relating to COVID-19 has been removed, in line with the UK government’s roadmap to living with COVID and as we have embedded the oversight and controls into our existing processes.

Risks in the Year Ahead

We will continue to embed the risk management approach into existing processes and ways of working to drive greater integration of risk management. We will work with risk owners to evolve and improve our approach to risk management and ability to manage uncertainties in the external environment.

We will continue to support the integration of the actions required to meet the requirements of the Task Force on Climate-Related Financial Disclosures (TCFD) into our risk management process.

Principal Risks

Our principal risks are those considered by the General Executive Committee to post the most potential threat to the smooth operation of the business. The table below (not in priority order) sets out our principal risks, a summary description of the risk, the connection with our strategy, and a summary of key controls in place to mitigate the impact should a risk come to fruition. Naturally risks change over time and so whilst the list is our current set of principal risks we see it as a live document. There will be unknown risks or risks currently assessed as less material, that may also have an adverse effect on the business in time.

Principal risk/uncertainty	• **Mitigation**
Business strategy development and implementation → As the world emerges from the COVID-19 pandemic, uncertainty remains and therefore being able to implement our acquisition strategy and our move to direct to reseller remains a strategic priority against a backdrop of strain on the channel, in particular retailers having financial difficulties.	Change v prior year and residual risk • We have worked collaboratively with our contractual partners through the challenges of the past 12 months to strengthen our relationships. • We offer credit terms where necessary Impact on the business • If our products fail to win customers our existing brands will weaken which means we may lose and/or not win new customers. • This would also lead to reduced margin and pricing not keeping up with inflation and/or customer trends. Risk Mitigation • We are increasing the different customer channels and markets in which we operate and continually monitor product performance and customer trends.
Product innovation↑ The market for the Group'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. The Group 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.	Change v prior year and residual risk Risk that our products fall out of favour with our customers if we do not adapt to changing needs, trends and demands and as such we lose market share/revenue, in an increasingly competitive market. Impact on the business • We have continued to develop and build our innovative product pipeline across our markets. Risk mitigation • We undertake continuous consumer and customer feedback into trends and insights in order to predict trends and adapt our product offering accordingly.

Product Supply↑ Due to the global supply chain issues, risks to our ability to service customer demand are real and present.	Change v prior year and residual risk • The threat of scarcity of raw materials may result in the over purchase of such materials as and when available in order to ensure the availability of materials for production. • The cost increases arising from supply and transportation challenges remain a risk to the business. Impact on the business • The unavailability of products that are essential for the Group to operate will have an impact on sales, cash flows and revenue. Risk mitigation • The Group has continued to communicate regularly with key semi-conductor companies instead of via distributors and the appointment of a full-time sourcing manager has helped to ensure the availability of materials to the Group. • Where possible, the Group has also continued to make spot purchases of components in order to ensure their future availability.
Information security, data privacy, business continuity and cyber risks → The unencumbered availability and integrity of the Group's IT systems is ever critical to successful trading. The threat of a cyber security breach or an unauthorised or malicious attack is an ongoing and increasingly sophisticated risk that the Group 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.	Change v prior year and residual risk • Investment in our cyber shields and efforts to support and drive employee awareness of phishing attacks and how to respond appropriately have continued. Impact on the business • Disruption to our information systems may have a significant impact on our sales, cash flows and profits. • A cyber security breach could lead to unauthorised access to, or loss of, personal and/or sensitive information. Risk Mitigation • The Group's business continuity plan has been updated. • Regular system and security patching is in • place including the use of vulnerability scanning to identify security weakness. • We also run regular phishing campaigns to raise awareness and such exercises are supported by training and guidance. •
People ↑ People are critical to the Group'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,	Change versus prior year and residual risk • The appointment of a full time Group Head of People and a dedicated talent manager has seen the number of vacancies and time to recruit reduce. • See pages 48 and 49 within our Annual Report for our Great Place to Work strategic pillar Impact on the business • We continue to rely on key individuals to contribute to the success of the Group. We need our people to develop

motivate and retain highly qualified People.	their skills in order to future proof the Group's business whilst being able to attract, retain and motive People. Risk Mitigation • Employee surveys have been expanded across the Group and regular pulse surveys help ensure that Focusrite is a great place to work. • Sharing people resources across the Group creates opportunities for career development and promotion opportunities. • The Board consider succession planning, remuneration and the skills, diversity and experience of the Group's people to ensure there are plans for People's development.
Macroeconomic/Geopolitical conditions ↑ The effect of the difficult global macroeconomic situation, rising cost inflation and the ongoing impact of the war in Ukraine is predicted to heavily impact FY23. The broader global political situation with China is also something that we monitor given our contract manufacturing presence there.	Change versus prior year and residual risk • Changing geopolitical situations, in particular the effect of tensions in various parts of the world, have resulted in greater global volatility. Impact on the business • Political dynamics, which are outside of our control, are driving economics which are likely to have a lasting effect on the global economy. Risk mitigation • We have continued to build scale and diversification through our enhanced product offerings and expanded geographic reach • Regular management reviews monitor financial results, end markets, alternative product supply arrangements and competitor behaviour.
Climate Change ↑ Climate change is a multi-faceted risk to the business at many levels. Failure to deliver on climate change initiatives, particularly around the reduction in the use of energy and carbon within required timescales, will have short, medium and long-term climate change risks to residents, businesses and infrastructure.	Change v prior year and residual risk • Significant work to prepare for TCFD, in particular, identifying and modelling the key climate risks and opportunities has also been undertaken. • A number of key brands have switched to the use of recycled materials. Impact on the business • Reputational impact arising from the failure to adequately address societal concerns. • Reduced availability of raw materials could result in price rises or interruptions to supply. • Less sustainable product and supply options impact our market position Risk mitigation • Systems to monitor and reduce the environmental impact of our operations and ensure compliance with environmental legislation are in place. • Managing our operations towards a low-carbon future e.g. through the use of recycled materials in order to sustain the longevity and prosperity of the business. • Sustainability criteria is embedded throughout the product design process in order to mitigate risks and identify opportunities to deliver our Planet objectives.

	• For information on our Planet objectives, see page 53 in our Annual Report.

FORWARD-LOOKING STATEMENTS

Certain statements in this announcement are forward-looking. Although the Directors believe that their expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Consolidated Income Statement

For the year ended 31 August 2022

	Note	**2022** **£000**	2021 £000
Revenue	4	**183,733**	173,935
Cost of Sales		**(100,453)**	(89,805)
Gross Profit		**83,280**	84,130
Administrative Expenses		**(54,619)**	(48,356)
Adjusted EBITDA (non-GAAP measure)		**41,663**	47,548
Depreciation and Amortisation	20,21	**(6,991)**	(6,133)
Adjusting items:			
Amortisation of acquired intangible assets		**(5,116)**	(4,013)
Other adjusting items	7	**(895)**	(1,628)
Operating profit		**28,661**	35,774
Finance income		**2,286**	48
Finance costs		**(398)**	(784)
Profit before tax		**30,549**	35,038
Income tax expense	8	**(5,773)**	(6,759)
Profit for the period from continuing operations		**24,776**	**28,279**
Earnings per share			
Basic (pence per share)	10	42.5	48.8
Diluted (pence per share)	10	42.1	48.2

The accompanying notes on pages 30 to 40 form part of these abbreviated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 August 2022

	Note	**2022** **£000**	2021 £000
Profit for the period (attributable to equity shareholders)		**24,776**	28,279
Items that may be subsequently reclassified to the income statement			
Exchange differences on translation of foreign operations		**(486)**	(726)
(Loss)/gain on forward exchange contracts		**(1,009)**	445
Tax on hedging instrument		**199**	(85)
Total comprehensive income for the period		**23,480**	27,913

Consolidated Statement of Financial Position

As at 31 August 2022

	Note	2022	2021
		£000	£000
Assets			
Non-current assets			
Goodwill		**13,728**	10,054
Other intangible assets	11	**61,964**	49,066
Property, plant and equipment		**10,870**	3,646
Deferred tax assets		**938**	-
Total non-current assets		**87,500**	62,766
Current assets			
Inventories		**48,340**	20,749
Trade and other receivables		**28,520**	14,775
Cash and cash equivalents		**12,758**	17,339
Current tax asset		**413**	869
Derivative financial instruments		**-**	716
Total current assets		**90,031**	54,448
Current liabilities			
Trade and other payables		**(36,348)**	(23,673)
Other liabilities		**(1,641)**	(774)
Current tax liabilities		**(1,066)**	-
Provisions		**(1,840)**	(1,092)
Bank loan		**(13,054)**	-
Derivative financial instruments		**(293)**	-
Total current liabilities		**(54,242)**	(25,539)
Net current assets		**35,789**	28,909
Total assets less current liabilities		**123,289**	91,675
Non-current liabilities			
Deferred tax		**(9,130)**	(5,996)
Other liabilities		**(8,843)**	(511)
Provisions		**-**	(1,069)
Bank loan		**-**	248
Total non-current liabilities		**(17,973)**	(7,328)
Total liabilities		**(72,215)**	(32,867)
Net assets		**105,316**	84,347
Capital and Reserves			
Share capital		**59**	59
Share premium		**115**	115
Merger reserve		**14,595**	14,595
Merger difference reserve		**(13,147)**	(13,147)
Translation reserve		**(1,015)**	(529)
Hedging reserve		**(293)**	716
EBT reserve		**(1)**	(1)
Retained earnings		**105,003**	82,539
Equity attributable to the owners of the Company		**105,316**	84,347
Total Equity		**105,316**	84,347

The financial statements were approved by the Board of Directors and authorised for issue on 8 December 2022. They were signed on its behalf by:

Tim Carroll — Chief Executive Officer

Sally McKone — Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 August 2022

	Share capital £000	Share premium £000	Merger reserve £000	Merger difference reserve £000	Translation reserve £000	Hedging reserve £000	EBT reserve £000	Retained earnings £000	Total £000
Balance at 1 September 2020	58	115	14,595	(13,147)	197	220	(1)	54,861	56,898
Profit for the period	-	-	-	-	-	-	-	28,279	28,279
Transfer of reserve	-	-	-	-	-	51	-	(51)	-
Other comprehensive income	-	-	-	-	(726)	445	-	(85)	(366)
Total comprehensive income	-	-	-	-	(726)	496	-	28,143	27,913
Transactions with shareholders	1	-	-	-	-	-	(1)	-	-
Share based payments deferred tax deduction	-	-	-	-	-	-	-	786	786
Share based payments current tax deduction	-	-	-	-	-	-	-	690	690
EBT shares issued	-	-	-	-			1	660	661
Share-based payments	-	-	-	-	-	-	-	632	632
Shares withheld to settle tax obligations	-	-	-	-	-	-	-	(739)	(739)
Premium on shares in lieu of bonuses	-	-	-	-	-	-	-	60	60
Dividends paid	-	-	-	-	-	-	-	(2,554)	(2,554)
Balance at 31 August 2021	59	115	14,595	(13,147)	(529)	716	(1)	82,539	84,347
Profit for the period	-	-	-	-	-	-	-	**24,776**	**24,776**
Other comprehensive income	-	-	-	-	**(486)**	**(1,009)**	**-**	**199**	**(1,296)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(486)**	**(1,009)**	**-**	**24,975**	**23,480**
Share based payments deferred tax deduction	-	-	-	-	-	-	-	**(1,131)**	**(1,131)**
Share based payments current tax deduction	-	-	-	-	-	-	-	**723**	**723**
EBT shares issued	-	-	-	-	-	-	-	**674**	**674**
Share-based payments	-	-	-	-	-	-	-	**1,120**	**1,120**
Shares withheld to settle tax obligations	-	-	-	-	-	-	-	**(865)**	**(865)**
Premium on shares in lieu of bonuses	-	-	-	-	-	-	-	**202**	**202**
Dividends paid	-	-	-	-	-	-	-	**(3,234)**	**(3,234)**
Balance at 31 August 2022	**59**	**115**	**14,595**	**(13,147)**	**(1,015)**	**(293)**	**(1)**	**105,003**	**105,316**

Consolidated Cash Flow Statement

For the year ended 31 August 2022

	Note	2022 £000	2021 £000
Operating activities			
Profit for the financial year		24,776	28,279
Income tax expense	8	5,773	6,759
Net interest		(1,888)	736
Loss on disposal of PPE		24	4
Loss on disposal of intangible assets		105	498
Gain on sale of trademark		(830)	-
Amortisation of intangibles		9,883	8,126
Depreciation of PPE		2,223	2,022
RDEC Credit		(369)	-
Share-based payments charge		1,313	973
Operating cashflow before movements in working capital		**41,010**	**47,397**
(Increase) decrease in trade and other receivables		(12,316)	3,533
(Increase) in inventories		(27,591)	(1,023)
Increase (decrease) in trade and other payables		12,988	(773)
Operating cash flows before interest and tax		**14,091**	**49,134**
Net interest		(330)	(311)
Income tax paid		(3,380)	(9,741)
Cash generated by operations		**10,381**	**39,082**
Net foreign exchange movements		(1,918)	(566)
Net cash from operating activities		**8,463**	**38,516**
Investing activities			
Purchase of property, plant and equipment		(1,045)	(1,126)
Purchase of intangible assets		(3,095)	(591)
Capitalised R&D costs		(8,368)	(4,894)
Proceeds from disposal of intangible assets		830	-
Acquisition of business, net of cash acquired		(10,923)	(13,948)
Net cash used in investing activities		**(22,601)**	**(20,559)**
Financing activities			
Proceeds from loans and borrowings		13,228	7,353
Repayments of loans and borrowings		-	(19,335)
Payment of lease liabilities		(1,168)	(1,057)
Equity dividends paid		(3,234)	(2,554)
Net cash used in financing activities		**8,826**	**(15,593)**
Net (decrease) increase in cash and cash equivalents		(5,312)	2,364
Cash and cash equivalents at the beginning of the year		17,339	14,975
Foreign exchange movements		731	-
Cash and cash equivalents at the end of the year		**12,758**	**17,339**

Notes to the Final Results
For the year ended 31 August 2022

1. BASIS OF PREPARATION

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 August 2022 or 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the registrar of companies, and those for 2022 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006

Going concern assumption

The Board of Directors has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence and meet their liabilities as they fall due for a period of at least 12 months from the approval of these financial statements ('the going concern period'). Accordingly, the financial statements have been prepared on a going concern basis.

The Group meets its day-to-day working capital requirements from cash balances and a revolving credit facility of £40.0 million which is due for renewal in December 2024. The availability of the revolving credit facility is subject to continued compliance with certain covenants.

The Directors have prepared projected cash flow forecasts for the going concern period. These forecasts include a severe but plausible downside scenario, which includes potential impacts from risks identified from the business including

• Loss of or reduction in key revenue streams
• Recessionary impact of reduction in revenue and margin across revenue streams.
• Loss of key distribution contracts

Whilst climate change is considered to bring both risks and opportunities to the Group, as outlined in our ESG section on pages 46 to 60 in our Annual Report , we do not consider there to be a significant quantifiable risk in the short term, other than the potential loss of a distributor due to the increasing likelihood of extreme weather events, and this is included as one of scenarios. Component supply is still considered to be a risk, although the situation is improving. Our first scenario, the loss of key revenue streams, considers the impact of being unable to supply a major product group.

The base case covers a period of at least 12 months from the date of signing and includes demanding but achievable forecast growth. The forecast has been extracted from the Group's FY23 budget and three-year plan for the period from September 2024 to August 2026.

Key assumptions include:

- Future growth assumptions consistent with those recently achieved by the business and adjusted for the annualisation of recent acquisitions. Working capital requirements in line with historic trends
- Continued investment in research and development in all areas of the Group.
- Dividends consistent with the Group's dividend policy
- No additional investment in acquisitions in the forecast period
- Interest rates in line with those prevailing as at 31 August 2022
- Foreign exchange rates in line with those prevailing as at 31 August 2022

Throughout the period the forecast cash flow information indicates that the Group will have sufficient cash reserves and headroom on the loan facility to continue to meet its liabilities throughout the forecast period.

The Directors have modelled severe but plausible downside scenarios of the three risks identified above, including the Group experiencing all three downsides simultaneously. This model assumes that purchases of stock would, in time, reduce to reflect reduced sales, if they occurred. The Group would also respond to a revenue shortfall by taking reasonable steps to reduce overheads within its control. In this scenario, a draw down from the loan facility of an average of £30 million for a period of 8 months is expected, however the Group would be expected to remain well within the terms of its loan facility with the leverage covenant (net debt to adjusted EBITDA) in the period not exceeding the maximum of -2.5x.

Separately, the Directors estimate that if the Group were to experience a shortfall in revenue of greater than 30% permanently from the start of the forecast period, debt and leverage could rise to the upper limits allowed by the banking covenants by June 2023. This scenario includes consequential reductions in the purchases of stock and overheads. As an additional measure, the Directors could also cancel the dividend.

However, the Directors' view is that any scenario of a revenue shortfall of greater than the severe yet plausible scenario above is not realistic.

In practice, the Group is still currently experiencing high levels of consumer registrations and customer demand, and therefore the revenue levels have been maintained at expected levels since year end. The Group has continued to invest in stock prior to the holiday season, with the Group's net debt balance reducing from net position of £0.3 million reported at year end to approximately net debt of £10 million at 5 December 2022, which is expected to improve following the upcoming 2022 holiday season. As a result the Directors are confident that the Group and Company will have sufficient funds to continue to meet their 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 ALTERNATIVE PERFORMANCE MEASURES ('APMS')

The Group has applied certain alternative performance measures ('APMs') within these financial results. The APMs presented are used in discussions with the Board, management and investors to aid the understanding of the performance of the Group. The Group considers that the presentation of APMs allows for improved insight to the trading performance of the Group. The Group consider that the term 'Adjusted' together with an adjusting items category, best reflects the trading performance of the Group.

Adjusting items are those items that are unusual because of their size, nature or incidence, and are applied consistently year on year. The Directors consider that these items should be separately identified within their relevant income statement category to enable full understanding of the Group's results. Items included are acquisition costs, earnout payable to employees of acquired businesses, profit on sale of trademarks and restructuring costs.

The following APMs have been used in these financial results:

- Organic constant currency growth – this is calculated by comparing FY22 revenue to FY21 revenue adjusted for FY22 exchange rates and the impact of acquisitions. As shown in the Financial Review.
- Adjusted EBITDA – comprising earnings adjusted for interest, taxation, depreciation, amortisation and adjusting items. This is shown on the face of the income statement.
- Adjusted operating profit – operating profit adjusted for adjusting items. See reconciliation below
- Adjusted earnings per share ('EPS') – earnings per share excluding adjusting items. See reconciliation below
- Free cash flow – net decrease in cash and cash equivalents excluding net cash used acquisitions, movements on the bank loan and dividends paid. See reconciliation below.

- Underlying free cash flow – as free cash flow but adding back adjusting items. See reconciliation below
- Net debt – comprised of cash and cash equivalents, overdrafts and amounts drawn against the RCF including the costs of arranging the RCF.

Profit definitions	**Adjusted EBITDA**	**Adjusted Operating Profit**	**Adjusted Diluted Earnings Per Share**
Reported:			
Operating Profit	28,661	28,661	
Profit after tax			24,776
Add back (deduct)			
Underlying depreciation and amortisation	6,991		
Amortisation on acquired intangibles	5,116	5,116	5,116
Acquisition costs	565	565	565
Gain on sale of trademark	(830)	(830)	(830)
Earnout in relation to acquisition	1,160	1,160	1,160
Tax on sale of trademark			156
Tax on earnout in relation to acquisition			(314)
Adjusted	**41,662**	**34,672**	**30,631**
Weighted average number of total ordinary shares including dilutive impact			58,917
Adjusted diluted EPS (p)			52.0

Cashflow definitions	**Free cash flow**	**Adjusted free cash flow**
Net (decrease in cash and cash equivalents during the year	(5,312)	(5,312)
Add back dividends paid	3,234	3,234
Add back cash outflow in relation to acquisition of business	10.923	10,923
Change in bank loan	(13,228)	(13,228)
Add back; adjusting items	-	895
Free cashflow/Adjusted free cashflow	**(4,383)**	**(3,488)**

Definition of net debt	**Net debt**
Cash and cash equivalents	12,758
Bank loan	(13,228)
RCF arrangement fee	174
Net debt	**(296)**

3 ACQUISITION OF A SUBSIDIARY

On 10 March 2022, the Group completed the acquisition of 100% of the share capital of Linea Research Holdings Limited (Linea Research). The total consideration was £12.3 million payable on completion with a further £0.5 million to be paid in cash subject to certain performance conditions being satisfied in the period ending May 2023.

The acquisition was funded by a combination of existing cash resources and a drawdown of £5 million on the existing revolving credit facility of £40 million with HSBC and Natwest.

A long time supplier and partner to Martin Audio, Linea Research was formed in 2003 by a team of experienced professional audio specialists, and they design, develop, manufacture and market innovative professional audio equipment globally. Their products include a range of ground-breaking amplifiers, including the world renowned M Series together with Digital Signal Processors, audio networking and software products.

The addition of Linea Research brings a world class development team to the Group and enables us to further strengthen the product roadmap for the Audio Reproduction division, with planned developments across the Martin and Linea ranges.

For the 6 month period between the acquisition and 31 August 2022, Linea contributed revenue of £3.1 million and a profit before tax of £0.8 million to the Group. If the acquisition had occurred on 1 September 2021, management estimates that Linea Research's revenue would have been £6.0 million and profit before tax for the year would have been £1.4 million. In determining these amounts management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 September 2021.

Acquisition-related costs

The Group incurred acquisition-related costs of £565,000 on legal fees and due diligence costs. These have been included in adjusting items to give investors a better understanding of the costs related to the acquisition of Linea Research. Additionally, because of their size, nature and the fact that they vary from acquisition to acquisition, the Group considers it a better reflection of the trading performance to show these separately.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired, and liabilities assumed at the date of acquisition:

Recognised values on acquisition	**£000**
Developed technology	3,675
Intellectual property rights and development	1,600
Brand	850
OEM relationships	50
Distributor relationships	50
Order book	275
Intangible assets	**6,500**
Property, plant and equipment	1,535
Cash	1,354
Working capital	1,505
Acquired deferred tax liability	(47)
Deferred tax liability	(1,957)
Net identifiable assets and liabilities at fair value	**8,890**
Goodwill recognised on acquisition	3,387
Consideration paid	**12,277**

The deferred tax liability has been estimated by applying the uplift in asset fair value to the average expected corporate tax rates over the life of the assets.

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Property, plant and equipment	Cost approach
Other intangible assets	Income approach (multi-period excess earnings method "MEEM") The key assumption used is the forecast revenues attributable to the existing asset.
Brand	Income approach (relief from royalty method) The key assumption used is the forecast revenues attributable to the existing asset.

Fair values measure on a provisional basis

Linea Research was acquired six months prior to the end of this reporting period. If new information is obtained within one year of the date of acquisition about the facts and circumstances that existed at the date of acquisition that identifies adjustments to the above amounts or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill

The goodwill recognised is attributable to:

- the skills and technical talent of the Linea Research workforce;
- income growth potential from new products, future relationships and a proportion of synergies;
- alignment to the Group's existing customer base; and
- strong strategic fit.

Intangible assets sensitivity analysis

In assessing the estimated useful life of the intangible assets, management considered the sensitivity in the forecast sales on the valuation of the developed technology and brand. The following table details the sensitivity to a 10% increase and decrease in the sales forecast and related cost of sales impact this would have on the valuation of the assets.

		Valuation impact	
Asset	**Cost**	**10% sales increase**	**10% sales decrease**
Developed technology	3,675	845	(845)
Intellectual property rights and development	1,600	490	(490)
Brand	850	95	(95)
Total	6,125	1,430	(1,430)

In 2021 the Group purchased Sequential LLC for £14,595,000, resulting in acquired intangible assets additions of £12,212,000 and goodwill of £2,397,000 arising due to this business combination.

4 REVENUE

An analysis of the Group's revenue is as follows:

	Year ended 31 August 2022				* Year ended 31 August 2021			
	North America £000	**EMEA £000**	**Rest of World £000**	**Total £000**	North America £000	EMEA £000	Rest of World £000	Total £000
Focusrite	47,558	30,936	18,692	97,186	49,438	39,038	13,619	102,095
Novation	8,603	8,088	3,892	20,583	9,706	9,242	3,314	22,262
ADAM Audio	3,964	9,036	4,797	17,797	8,073	11,849	3,943	23,865
Martin Audio	8,084	14,176	9,658	31,918	4,787	6,983	8,628	20,398
Sequential	6,300	7,874	2,075	16,249	2,629	2,164	506	5,299
Distribution	-	-	-	-	-	16	-	16
Total	**74,509**	**70,110**	**39,114**	**183,733**	74,633	69,292	30,010	173,935

The amount of revenue sold to external customers in the UK was £21,830,000 (2021: £19,510,000).

5 BUSINESS SEGMENTS

Information reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance is focused on the main product groups which the Group sells. Similarly, the results of Novation and Ampify also meet the aggregation criteria set out in IFRS 8 Segmental Reporting. The Group's reportable segments under IFRS 8 are therefore as follows:

Focusrite	–	Sales of Focusrite and Focusrite Pro branded products
Novation	–	Sales of Novation or Ampify branded products
ADAM Audio	–	Sales of ADAM Audio branded products
Martin Audio	-	Sales of Martin Audio branded products
Sequential	-	Sales of Sequential branded products
Distribution	–	Distribution of third-party brands including KRK, Stanton, Cerwin-Vega, and sE Electronics (ceased August 2020)

Segment revenues and results

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3 of the full Annual Report. Segment profit represents the profit earned by each segment without allocation of the share of central administration costs including Directors' salaries, investment revenue and finance costs, and income tax expense. This is the measure reported to the Board of Directors for the purpose of resource allocation and assessment of segment performance.

Central administration costs comprise principally the employment-related costs and other overheads incurred by the Group. Also included within central administration costs is the charge relating to the share option scheme of £1,313,000 for the year ended 31 August 2021 (2021: £973,000).

The following is an analysis of the Group's revenue and results by reportable segment:

	Year ended 31 August 2022 £'000	2021 Restated* £'000
Revenue from external customers		
Focusrite	**97,186**	102,095
Novation	**20,583**	22,262
ADAM Audio	**17,797**	23,865
Martin Audio	**31,918**	20,398
Sequential	**16,249**	5,299
Distribution	**-**	16
Total	**183,733**	173,935
Segment profit		
Focusrite	**45,108**	50,338
Novation	**8,132**	7,965
ADAM Audio	**8,941**	14,040
Martin Audio	**14,280**	9,471
Sequential	**6,819**	2,341
Distribution	**-**	(25)
	83,280	84,130
Central distribution costs and administrative expenses	**(53,724)**	(46,728)
Adjusting items (note 7)	**(895)**	(1,628)
Operating profit	**28,661**	35,774
Finance income	**2,286**	48
Finance costs	**(398)**	(784)
Profit before tax	**30,549**	35,038
Tax	**(5,773)**	(6,759)
Profit after tax	**24,776**	28,279

*From 1 September 2021, "other cost of sales" cost allocations across intercompany sales have been realigned to better reflect the allocation of freight and warehousing costs between segments. This has resulted in changes to segmental profit as previously reported in the year to 31 August 2021. As required by IFRS 8, comparative information has been restated as indicated by "restated" in the Operating segments note. The revision does not result in any changes to the consolidated income statement, consolidated statement of financial position or consolidated statement of cash flows.

The Group's non-current assets, analysed by geographical location, were as follows:

	2022 £'000	2021 £'000
Non-current assets		
North America	**21,311**	15,104
Europe, Middle East and Africa	**66,189**	45,277
Rest of the World	**-**	2,385
Total non-current assets	**87,500**	62,766
UK	**63,543**	43,363

Information about major customers
Included in revenues shown for FY22 is £51.3 million (FY21: £53.2 million) attributed to the Group's largest customer, which is located in North America. Amounts owed at the year end were £7.9 million (FY21: £4.2 million).

6 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	Note	Year Ended 31 August 2022 £000	2021 £000
Net foreign exchange gains		**2,364**	333
Loss on disposal of property, plant and equipment		**23**	4
Research and development costs		**4,178**	2,374
Depreciation and impairment of property, plant & equipment		**2,223**	2,022
Amortisation of intangibles	11	**9,883**	8,126
Cost of inventories within cost of sales		**94,481**	76,488
Staff costs		**25,244**	22,138
Gain on sale of trademark	7	**(830)**	-
Movement in expected credit loss		**(26)**	1
Share based payments		**1,313**	973

7 ADJUSTING ITEMS

The following adjusting items have been declared in the period

	Year ended 31 August 2022 £000	2021 £000
Acquisition Costs	**565**	716
Gain on trademark	**(830)**	**-**
Earnout accrual in relation to acquisition	**1,160**	788
Restructuring	**-**	124
Adjusting items	**895**	1,628
Amortisation of acquired intangible assets	**5,116**	4,013
Total adjusting items for adjusted EBITDA	**6,011**	5,641

Acquisition costs in FY22 relate to the acquisition of Linea Research. The earnout accrual relates to the remaining amount due on the $4 million classed as employee remuneration rather than contingent consideration in relation to Sequential, acquired during FY21, and an amount due in respect of Linea Research of £0.1 million. The remaining accrual relating to Sequential is payable directly to employees and is subject to the achievement of gross profit targets and their continuing employment with Sequential until December 2022.

Acquisition costs in FY21 relate solely to the acquisition of Sequential, restructuring costs relate to the merger of the US-based subsidiaries into one operating company from 1 September 2021.

8 TAX

	Year ended 31 August 2022 £000	2021 £000
Corporation tax charges		
Over provision in prior year	**(11)**	(367)
Current year	**6,523**	8,099
	6,512	7,732
Deferred taxation		
Over provision in prior year	**(438)**	(265)
Current year	**(301)**	(708)
	5,773	6,759

Corporation tax is calculated at 19% (2021: 19%) of the estimated taxable profit for the year. Taxation for the US and Germany subsidiaries are calculated at the rates prevailing in the respective jurisdiction.

The tax charge for each year can be reconciled to the profit per the income statement as follows:

	Year ended 31 August	
	2022	2021
	£000	£000
Current taxation		
Profit before tax on continuing operations	**30,549**	35,038
Tax at the UK corporation tax rate of 19% (2021: 19%)	**5,804**	6,657
Effects of:		
Expenses not deductible for tax purposes	**168**	615
Deferred tax assets recognition	**-**	(1,385)
Other differences	**(49)**	(28)
Additional UK tax reliefs	**(140)**	-
Prior period adjustment	**(449)**	(367)
Effect of change in standard rate of deferred tax	**173**	1,147
Impact of foreign tax rates	**266**	120
Tax charge for the year	**5,773**	6,759

Expenses not deductible relate to the costs of acquiring Linea Research Holdings Limited and entertainment expenses.

Tax credited directly to equity

In addition to the amount charged to the income statement and other comprehensive income, the following amounts of tax have been recognised in equity:

	2022	2021
	£'000	£'000
Share based payment deferred tax deduction	**(1,131)**	786
Share based payment current tax deduction	**723**	690
	(408)	1,476

The net corporation tax creditor is £653,000 (2021: debtor £869,000). The prior year debtor related to overpayments to tax authorities throughout the year and has been settled during the year ended 31 August 2022

An increase in the UK corporation rate from 19% to 25% (effective 1st April 2023) was substantively enacted on 24th May 2021. This will increase the Company's future current tax charge accordingly. Deferred taxes as at 31st August 2022 have been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences.

9 DIVIDENDS

The following equity dividends have been declared:

	Year to 31 August 2022	Year to 31 August 2021
Dividend per qualifying ordinary share	**6.0p**	5.2p

During the year, the Company paid an interim dividend in respect of the year ended 31 August 2022 of 1.85 pence per share.

On 8 December 2022, the Directors recommended a final dividend of 4.15 pence per share (2021: 3.7 pence per share), making a total of 6.0 pence per share for the year (2021: 5.2 pence per share).

10 Earnings per share ('EPS')

The calculation of the basic and diluted EPS is based on the following data:

Earnings	Year ended 31 August 2022	2021
	£'000	£'000
Profit after tax	**24,776**	28,279
Adjusting items (note 7)	**6,011**	5,641
Tax on adjusting items	**(156)**	(165)
Total underlying profit for adjusted EPS calculation	**30,631**	33,755

	Year ended 31 August 2021	2020
	Number '000	Number '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS calculation	**58,294**	57,993
Effect of dilutive potential ordinary shares:		
Share option plans	**623**	725
Weighted average number of ordinary shares for the purposes of diluted EPS calculation	**58,917**	58,718
EPS	**Pence**	Pence
Basic EPS	**42.5**	48.8
Diluted EPS	**42.1**	48.2
Adjusted basic EPS	**52.5**	58.2
Adjusted diluted EPS	**52.0**	57.5

The Group presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For diluted EPS, the weighted average number of ordinary shares is adjusted for the dilutive effect of potential ordinary shares arising from the exercise of granted share options.

At 31 August 2022, the total number of ordinary shares issued and fully paid was 58,661,639. This included 262,929 (FY21: 554,712) shares held by the EBT to satisfy options vesting in future years. The operation of this EBT is funded by the Group so the EBT is required to be consolidated, with the result that the weighted average number of ordinary shares for the purpose of the basic EPS calculation is the net of the weighted average number of shares in issue 58,661,639 (58,488,351) less the weighted average number of shares held by the EBT 367,333 (FY21: 495,323). It should be noted that the only right relinquished by the Trustees of the EBT is the right to receive dividends. In all other respects, the shares held by the EBT have full voting rights.

The effect of dilutive potential ordinary share issues is calculated in accordance with IAS 33 and arises from the employee share options currently outstanding, adjusted by the profit element as a proportion of the average share price during the period.

The effective tax rate on the items above is much lower than the Group's overall effective tax rate, as the majority items are not deductible for corporation tax. The impact of tax on the adjusting items is shown in note 2 (APMs).

11 OTHER INTANGIBLE ASSETS

	Intellectual Property £000	Internally generated development £000	Acquired development costs £000	Licences £000	Trademark £000	Computer software £000	Brands £000	Total £000
Cost								
At 1 September 2020	580	23,690	19,943	166	826	1,527	14,300	61,032
Additions								-
Acquired separately	-	-	-	30	229	330	-	589
Products developed during the year	2	4,894		-	-	-	-	4,896
Business combinations	-	-	6,142	-	-	-	6,070	12,212
Transfers	(175)	-	-	-	-	175	-	-
Disposals	-	(2,839)	-	-	-	(447)	-	(3,286)
Foreign exchange	-	-	(188)	-	-	-	(350)	(538)
At 31 August 2021	407	25,745	25,897	196	1,055	1,585	20,020	74,905
Additions								
Acquired separately	-	-	-	1,684	-	44	4,535	6,263
Products developed during the year	21	7,851	-	-	385	-	-	8,257
Business combinations	-	-	5,650	-	-	-	850	6,500
Transfers	(21)	21	-	-	-	-	-	-
Disposals	-	-	-	-	(1)	(245)	-	(246)
Foreign exchange	-	-	1,032	-	-	-	913	1,945
At 31 August 2022	**407**	**33,617**	**32,579**	**1,880**	**1,439**	**1,384**	**26,318**	**97,624**
Amortisation								
At 1 September 2020	520	15,506	2,152	122	464	826	1,068	20,658
Charge for the year	1	3,463	2,780	41	287	321	1,233	8,126
Transfers	(114)	-	-	-	-	114	-	-
Eliminated on disposal	-	(2,371)	-	-	-	(455)	-	(2,826)
Foreign exchange	-	9	(81)	-	-	27	(74)	(119)
At 31 August 2021	**407**	**16,607**	**4,851**	**163**	**751**	**833**	**2,227**	**25,839**
Charge for the year		3,938	3,457	61	301	467	1,659	9,883
Eliminated on disposal		-	-	-	-	(141)	-	(141)
Foreign exchange	-	17	39	-	-	-	23	79
At 31 August 2022	**407**	**20,562**	**8,347**	**224**	**1,052**	**1,159**	**3,909**	**35,660**
Carrying amount								
At 31 August 2022	**-**	**13,055**	**24,232**	**1,656**	**387**	**225**	**22,409**	**61,964**
At 31 August 2021	-	9,138	21,046	33	304	752	17,793	49,066
At 31 August 2020	60	8,184	17,791	44	362	701	13,232	40,374