

Strictly embargoed until 07.00: 9 December 2015

Focusrite Plc
("Focusrite" or "the Group")

Results for the year ended 31 August 2015

Focusrite Plc (AIM: TUNE) the global music and audio products company supplying hardware and software products used by professional and amateur musicians, today announces its results for the year ended 31 August 2015.

Financial Highlights

- Group revenue up by 17.2% to £48.0 million (FY14: £41.0 million)
- Adjusted EBITDA¹ up by 13.1% to £9.3 million (FY14: £8.2 million)
- Operating profit up by 10.7% to £6.3 million (FY14: £5.7 million)
- Basic earnings per share up by 1.6% to 10.4p (FY14: 10.3p)
- Adjusted diluted earnings² per share up by 4.3% to 10.5p (FY14: 10.1p)
- Net cash up by 62.3% to £6.2 million (FY14: £3.8 million)
- Maiden final dividend of 1.2p recommended, making 1.8p for the year

Operational Highlights

- Successful first year of trading since IPO and admission to AIM in December 2014
- Revenue growth across both operating brands Focusrite and Novation and in all major territories
 - USA growing by 29.3%, Europe, Middle East and Africa by 9.4% and Rest of World by 14.5%
- 19 new products
 - Entry into lucrative higher price range segments with Clarett Thunderbolt and Launchpad Pro
 - Entry into new Live and Broadcast market segment with RedNet audio
- Downloads of Novation's Launchpad App for Apple's iOS platform grew by 87%; and revenue grew by 185%
- Rated, for the fourth consecutive year, as one of the '100 Best Small Companies to Work For' by The Sunday Times

Philip Dudderidge, Executive Chairman of Focusrite Plc, commented:

"This is the first set of annual results since Focusrite Plc floated and I am pleased that we have performed well, meeting market expectations with record revenues and profits for the year. We issued 19 new products this year and we will continue to invest in our research and development programme to develop future generations of products."

Commenting on current trading and outlook, Dave Froker, CEO said:

"Products launched at the end of the financial year have been well received by the market, with excellent reviews across the industry. Revenue in the first quarter of the current year was ahead of that for FY15, itself a record quarter, in spite of slower than expected initial sales of new products. Pleasingly, existing products continue to perform as expected."

He added: "Notwithstanding the weaker Euro, our continued significant investment in R&D and an exciting new launch schedule for the current year give us confidence that FY16 will be a further year of revenue growth."

¹ Comprising of earnings adjusted for interest, taxation, depreciation, amortisation and non-underlying items.

² Adjusted for non-underlying items.

Availability of Annual Report and Notice of AGM

The Annual Report and Accounts for the financial year ended 31 August 2015 and notice of the Annual General Meeting ("AGM") of Focusrite will be posted to shareholders on 16 December 2015 and will be available on Focusrite's website at www.focusriteplc.com.

Dividend timetable

The final dividend is subject to shareholder approval, which is being sought at Focusrite's Annual General Meeting to be held on 29 January 2016.

If approved, the final dividend in respect of the year ended 31 August 2015 will be paid on 3 February 2016 to shareholders on the register as at 18 December 2015.

The timetable for the final dividend is as follows:

17 December 2015	Ex-dividend Date
18 December 2015	Record Date
29 January 2016	AGM to approve the recommended final dividend
3 February 2016	Dividend payment date

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Notes to Editors

Focusrite is a global music and audio products group supplying hardware and software products used by professional and amateur musicians, which enables the high quality production of music.

The Group has two established and rapidly growing brands: Focusrite and Novation. The Focusrite brand makes audio interface and other products for audio recording musicians. The Novation brand allows its customers to make electronic music using synthesisers and computer-enabled technology.

The Group has a global customer base with a distribution network covering approximately 160 territories. Focusrite is headquartered in High Wycombe, United Kingdom with a marketing subsidiary in Los Angeles, United States and has around 160 employees.

Chairman's Statement

I would like to express my appreciation to the shareholders that participated in the flotation of Focusrite Plc on AIM in December 2014 and welcome new shareholders that have acquired shares in Focusrite subsequently.

This is the first set of annual results since Focusrite Plc floated and I am pleased that we have performed well, meeting market expectations with record revenues and profit for the year. We issued 19 new products this year and will continue to invest in our research and development programme to develop future generations of product.

Our Group offers its products under two brands; Focusrite, which is the global leader in Audio Interfaces for recording with computers (the modern paradigm), and Novation, a brand acquired 11 years ago that specialises in synthesisers, keyboards and grid controllers for the Electronic Music market.

Both brands have a strong reputation for innovation, quality of build and performance, resulting in ever greater levels of customer satisfaction and resultant growth.

As a 26-year-old business we have a depth of management experience that belies the fact that the average age of our workforce is around 30. We employ new graduates in music technology and audio engineering in the business every year. Most employees are musicians as well as development engineers, sales, support and marketing staff (even Dave Froker, the CEO, is an accomplished rock guitarist!). This means that we have a strong empathy with the aspirations of our customers and indeed all our musician employees use our products in their personal creative endeavours. In turn we are proud that our employees have voted Focusrite as one of the '100 Best Small Companies to Work For' (*Sunday Times*), for the past four years.

The Group was fortunate to go into the recession following the 2008 financial crisis with no debt and we have built the Group to five times the 2009 revenue since then. Despite having invested heavily in product development and marketing to build the business aggressively to meet the ever expanding demand, we remain debt free and highly cash generative.

As a result the Directors have recommended a final dividend of 1.2 pence per share, making a total of 1.8 pence per share for the year. The final dividend is subject to shareholder approval, which is being sought at Focusrite's Annual General Meeting to be held in January 2016.

Our largest market by revenue is the United States, where our brands are well represented in all the leading resellers of music equipment, notably Guitar Center – a chain of 280 stores – and Sweetwater Sound, a unique, proactive and online business that sells nationally from a single location in Indiana, as well as Amazon and many independent retailers. This strong brand representation in our product categories is reflected in the UK, Europe and almost everywhere people are recording and performing music.

There has never been a better time to be in the musical instrument and music recording market and we are making the best of the opportunity, taking a leading role in the changes that are sweeping our marketplace.

Finally, a big thank you to all the employees in the business for their teamwork and commitment to our collective goals and to our distribution and retail partners for their continued support.

Philip Dudderidge
Executive Chairman

Strategic Report

CEO Review

Overview

We intend to continue innovating, which has been the engine of our growth, and we are continuing to disrupt traditional methods of music making. This is liberating musicians with transparent technology that allows them to stay in the flow of creating, producing, recording and distributing their music. And we intend to continue extending the boundaries of our market with steps into adjacent segments.

Innovating for growth

On the strength of our 19 new product launches, revenue continued its pattern of annual growth, rising to £48.0 million (2014: £41.0 million) representing a rise of 17.2% (2014: 13.5%). All business segments grew, including Focusrite products rising by 16.3% from £26.8 million to £31.2 million, and Novation products rising by 22.7% from £11.5 million to £14.2 million.

In addition, revenue increased in all regions: USA grew by 29.3%, Europe, Middle East and Africa ('EMEA') by 9.4% and Rest of World by 14.5%. We grew Adjusted EBITDA by 13.1%, with Adjusted EBITDA representing 19.4% of revenue. The growth was relatively consistent across our two brands. Two key new products, the Focusrite Clarett range of audio interfaces and Novation's Launchpad Pro, arrived near the end of the financial year which, along with upcoming new product launches in the new financial year, should provide a good basis for future growth.

The market

Globally the overall music gear market is growing, with macroeconomic forces affecting regions differently. The USA, not surprisingly with its relatively healthy economy, is in better shape than the Eurozone and Latin America. Asia continues to grow faster than the rest of the world even with China's slowdown, although that is currently a small part of our business.

Driving disruption

More important to our business is the changing nature of music making, production and distribution. Focusrite is well-placed to take advantage of the shift to electronic dance music ('EDM'), mobile ways of making and recording music, and the use of Spotify and YouTube as media for awareness and delivering music to fans. As a measure of both the changing use of musical instruments and the reliance on mobile platforms, downloads of Novation's Launchpad App for Apple's iOS platform grew by 87% and the revenue derived from that app, albeit still a relatively small percentage of overall revenue, grew by 185%.

Making it easy

Musicians today face an unending stream of hurdles while creating, producing and performing music. Our drive to make music easy to make – at all levels of expertise – is paying off: the percentage of new owners of our products calling for help from Tech Support continues to decline to 3.5% from 6.5% last year. Critical praise from the press and end-users tells us our focus is paying off.

Expanding into new segments

The launch of the Clarett Thunderbolt line of interfaces takes Focusrite into a new, lucrative segment of the market, where products sell for between \$500 and \$1,500. Initial reviews by users and press experts suggest we'll do well with Clarett. Focusrite, with its lower-priced Scarlett range of interfaces, already claims the number one worldwide position under \$500.

Launchpad Pro thrusts Novation into a new, higher price segment of grid controllers for the widely used software Ableton Live. Our entry into interfaces for the nascent iOS recording market, the iTrack line, is exploring new markets as musicians are just starting to experiment with mobile recording platforms.

Finally, our introduction of RedNet audio networking products is causing excitement in the demanding 'the-show-must-go-on' Live and Broadcast segments. We intend to expand further by continuing to explore new market segments, both through acquisition and home-grown investment.

Managing margins

As explained more fully in the Financial Review, gross margin remained similar to the prior year. Our Euro exchange rate hedging kept our performance insulated from the volatility experienced during the year. As ever we kept a close control on product manufacturing costs, which have defied Chinese inflation trends. Operating costs continue to be managed carefully.

A great place to work

With our rapid growth we face the enviable but difficult task of hiring the talented people we need to work with us. We place great emphasis on our recruiting, interviewing and hiring decision-making skills. Each employee has a bespoke training programme to raise their skills and further their careers. Our strategy is clear to employees and their goals and objectives are tied to the Company's overall goals. We are delighted that for the fourth year in a row Focusrite was named one of Britain's 100 Best Small Companies to Work For. At the same time our continued focus on cost control and efficiency meant our revenue per employee increased. We grew headcount costs by 7.1%, less than revenue and profit growth. We thrive on hard work, fun and results.

Executing operationally

In the spring we relaunched the Novation brand, which followed a careful analysis of the brand's strategy, heritage, values and an understanding of customer perception. We also reorganised our R&D department to make it more focused, fleeter of foot, and metric-driven, while we launched 19 new products. Finally we have worked closely with our channel partners and upgraded where necessary.

Current trading and outlook

Products launched at the end of the financial year have been well received by the market, with excellent reviews across the industry. Revenue in the first quarter of the current year was ahead of that for FY15, itself a record quarter, in spite of slower than expected initial sales of new products. Pleasingly, existing products continue to perform as expected.

Notwithstanding the weaker Euro, our continued significant investment in R&D and an exciting new launch schedule for the current year give us confidence that FY16 will be a further year of revenue growth.

Dave Froker

Chief Executive Officer

Financial Review

Overview

The Group had a positive year in which revenue increased by 17.2% to £48.0 million (2014: £41.0 million), gross margin was consistent at 38.8% and adjusted earnings before interest, tax, depreciation and amortisation ('Adjusted EBITDA') was £9.3 million (2014: £8.2 million), up 13.1%. The balance of cash and cash equivalents at 31 August 2015 was £6.2 million, up from £3.8 million at 31 August 2014.

Income statement

	2015 £m	2015 £m	2015 £m	2014 £m	2014 £m	2014 £m
	Reported	Non- underlying	Adjusted	Reported	Non- underlying	Adjusted
Revenue	48.0	0.0	48.0	41.0	0.0	41.0
Cost of sales	-29.4	0.0	-29.4	-25.1	0.0	-25.1
Gross profit	18.6	0.0	18.6	15.9	0.0	15.9
Administrative expenses and other gains	-12.3	-0.7	-11.6	-10.2	-0.7	-9.5
Operating profit	6.3	-0.7	7.0	5.7	-0.7	6.4
Net finance income	0.2	0.0	0.2	0.1	0.0	0.1
Profit before tax	6.5	-0.7	7.2	5.8	-0.7	6.5
Income tax expense	-1.0	0.0	-1.0	-0.8	0.0	-0.8
Profit for the period	5.5	-0.7	6.2	5.0	-0.7	5.7

Income statement

Revenue

Revenue continued its pattern of annual growth, rising to £48.0 million (2014: £41.0 million) representing a rise of 17.2% (2014: 13.5%). All business segments grew, including Focusrite products rising by 16.3% from £26.8 million to £31.2 million, and Novation products rising by 22.7% from £11.5 million to £14.2 million.

In addition, revenue increased in all regions: USA grew by 29.3%, EMEA by 9.4% and Rest of World by 14.5%.

Gross profit

Gross profit comprises the revenue earned from the sale of stock, less the cost of sales of those products including the material cost, freight, storage, royalties and revenue based sales commissions. Gross profit increased to £18.6 million (2014: £15.9 million). Gross margin was consistent with the prior year at 38.8%. At constant exchange rates, the gross margin was 40.1%.

Administrative and other expenses

Administrative and other expenses comprise uncapitalised research and development costs, engineering and operations costs, sales and marketing costs, administrative expenses and depreciation and amortisation. Overall, the administrative expenses were £12.3 million.

Within administrative expenses, there are some increased costs associated with the Group now being a quoted company. These totalled £0.5 million. Excluding these, the rise in ongoing administrative costs was 12.7%, less than the increase in the revenue.

In addition, the administrative expenses include one-off costs of £0.7 million (2014: £0.7 million) associated with the Initial Public Offering.

Adjusting for these one-off costs, the Adjusted EBITDA increased by 13.1% from £8.2 million to £9.3 million.

	2015 £m	2015 £m	2015 £m	2014 £m	2014 £m	2014 £m
	Reported	Non- underlying	Adjusted	Reported	Non- underlying	Adjusted
Operating profit	6.3	-0.7	7.0	5.7	-0.7	6.4
Less Profit on disposal of property, plant and equipment	0.0	0.0	0.0	-0.1	0.0	-0.1
Add Amortisation of intangible assets	1.9	0.0	1.9	1.5	0.0	1.5
Add Depreciation of tangible assets	0.4	0.0	0.4	0.4	0.0	0.4
EBITDA	8.6	-0.7	9.3	7.5	-0.7	8.2

Currency exposure and hedging

During the period, there have been significant movements in both the US Dollar and the Euro.

Exchange rates	FY15	FY14
Average		
US \$:£	1.56	1.65
€:£	1.35	1.21
Year end		
US \$:£	1.54	1.68
€:£	1.37	1.26

US Dollar

The US Dollar has strengthened against Sterling to an average rate of \$1.56 (2014: \$1.65). The Group purchases stock from several suppliers in China and pays for that stock in US Dollars. The vast majority of that cash outflow is matched by the cash inflow from the US Dollar denominated revenue in the US, Canada, South America and Asia Pacific. This means that a strengthening of the US Dollar leads to an increase in revenue but has little effect on gross profit.

Euro

During the period, the Euro weakened against Sterling to an average rate of €1.35 (2014: €1.21). Around 27% of the Group's revenue is generated in European countries. There are few costs denominated in Euros. This means that a weakening in the Euro leads to a decrease in revenue and a consequential decrease in gross profit.

Hedging

To compensate for these movements, the Group has a policy of entering into forward exchange contracts ensuring that the major portion of cash flow movements are hedged for the forthcoming financial year.

In the financial year ended 31 August 2015, the contracts have protected against some of the downside pressure caused by the weakening of the Euro. During the period, the gains realised on the exchange rate hedging totalled £0.8 million and are included within revenue. In addition, under IFRS, the Group is required to fair value the

committed future hedge contracts and so, at the period end, an asset of £0.2 million is included on the balance sheet (31 August 2014: an asset of £0.1 million). The change in fair value of these contracts is included within financial income and finance costs in the Income Statement.

At constant exchange rates, the revenue growth would have been 14.9% compared with the reported growth rate of 17.2%. Conversely, at constant exchange rates, the gross margin would have been 40.1% compared with the reported gross margin of 38.8% (2014, 38.8%).

For the year from September 2015 to August 2016, the total value of Euro hedge contracts is for €15.6 million, comprising €14.4 million to be converted to pounds Sterling at an average protected rate of €1.39:£1.00 and €1.2 million to be converted to US Dollars at an average protected rate of \$1.22:€1.00. These forward contracts improve certainty and protect against further currency weakening although they do reflect the weaker Euro from last year's hedged rate of €1.27.

Corporation tax

The majority of the profit made by the Group is taxed in UK. The Group benefits from tax allowances (R&D tax credits) on the significant research and development costs explained above, thereby reducing the effective tax rate. In contrast, IPO costs are, typically, not allowable for corporation tax. The total tax charge is calculated as £1.0 million (2014: £0.8 million) representing 15.8% of profit before tax, up from 13.1% in the prior year. Note that, excluding the IPO costs, the effective tax rate is 14.2%.

Earnings per share

Earnings per share	FY15	FY14	Growth
	p	p	%
Basic	10.4	10.3	1.6%
Diluted	9.3	8.8	5.6%
Adjusted basic	11.8	11.7	0.4%
Adjusted diluted	10.5	10.1	4.3%

The adjusted basic and diluted earnings per share figures exclude the impact of the non-underlying costs in each financial year. One factor influencing the EPS growth was the issue of shares prior to the IPO. Were it not for these pre IPO share issues, the adjusted diluted EPS would have increased by 6.9%.

Balance sheet

	2015	2014
	£m	£m
Non-current assets	5.2	4.0
Current assets		
Stock	8.6	6.6
Trade and other receivables	7.8	6.4
Other current assets	0.2	0.1
Cash	6.2	3.8
Current liabilities	-8.8	-7.1
Non-current liabilities	-0.7	-0.6
Net assets	18.5	13.2

Non-current assets

The major non-current assets are capitalised development costs, shown within other intangible assets, and tooling, shown within property, plant and equipment.

The total value of development costs capitalised during the year was £2.7 million, up from £1.9 million in the prior year. The increased capitalisation was a function of bringing 19 products to market compared with eight in the prior year. These costs are amortised over their useful life which we have deemed to be three years.

Within property, plant and equipment, the total additions during the year were £0.8 million (2014: £0.8 million) of which £0.4 million was tooling for new products.

Working capital

Working capital comprises inventories plus trade and other receivables, less trade and other payables. Overall, working capital was 16.6% of revenue as at 31 August 2015 compared with 15.3% in the prior year. Generally, receivables and payables increase largely in line with revenue. The main reason for the higher working capital was increased inventories due to new product lines.

Inventories

Inventories increased to £8.6 million, up from £6.6 million at 31 August 2014. When compared to the annual cost of sales, this represents a stock turn of 3.4 times compared with 3.8 times in the prior year. The stock has been increased partly to support the additional revenue and partly because 14 out of the 19 products were introduced in the second half of the year and the Group invested in stock to support the anticipated demand of new products.

Trade and other receivables

Trade and other receivables were £7.8 million, up from £6.4 million at 31 August 2014. The primary increase was as a result of increased revenue and the trade receivables represented 49 days of sales, compared with 53 days last year.

Trade and other payables

Trade and other payables totalled £8.4 million, up from £6.7 million at 31 August 2014. The major element is outstanding invoices for the purchase of stock. This increased as a result of the greater purchases of stock close to the end of the financial year. At the year end, the credit period taken for trade purchases averaged 66 days (31 August 2014: 59 days), helped by one significant supplier changing their accepted terms from 45 days to 60 days.

Cash

The year-end cash balance was £6.2 million, up from £3.8 million at 31 August 2014. The Group does not have any borrowings.

However, on 3 December 2015, after the end of the reported period, the Group completed the arrangement of a committed five-year £10 million revolving credit facility ('RCF') with HSBC.

This provides the Group with additional financial resources to take advantage of growth opportunities as well as further strengthening the balance sheet.

Cash flow

Free cash flow (being net cash from operating activities, less net cash used in investing activities) was £2.7 million (2014: £6.2 million). Particular areas of focus during the year have been an increased spend on research and development costs associated with developing new products and shepherding the production process to ensure that good quality new products are sold to dealers at the planned time. The total of these costs was £3.4 million (2014: £2.5 million). This represents an increase of 37.1% which resulted in 19 new products being introduced in the year, up from eight products in the prior year. The lifespan of new products is normally at least three years so the benefit is expected to accrue over several years. The total capitalised during the year was £2.7 million (2014: £1.9 million).

	2015	2014
	£m	£m
Free cash flow	2.7	6.2
Add Exceptional cash out flows	1.2	0.2
Less Repayment of related party loan	0.0	-1.1
Underlying free cash flow	3.9	5.3

The exceptional cash flows comprised mainly the cost of the IPO and the repayment, in the year ended 31 August 2014, of a loan made to a related party during 2012. Adjusting for these, the free cash flow was £3.9 million and represented 8.0% of revenue and 62% of profit after tax adjusted for exceptional items (2014, £5.3 million, representing 13.1% of revenue and 93% of profit after tax adjusted for exceptional items). The main difference was that in 2014, there was a reduction of working capital whereas in 2015 there was an increase in working capital as described previously.

Dividend

During the year, the Company paid an interim dividend in respect of the year ended 31 August 2015 of 0.6p per share, amounting to £0.3 million. In addition, following the year end, on 9 December 2015, the Directors proposed a final dividend of 1.2 pence per share, making a total of 1.8 pence per share for the year.

The dividend is subject to shareholder approval, which is being sought at Focusrite's Annual General Meeting to be held on 29 January 2016.

The Group intends to adopt a sustainable and progressive dividend policy, subject to ensuring that the business retains sufficient cash to invest adequately in research and development to develop the products which will drive future growth.

Summary

In summary, the Group has had a strong year: revenue has grown by 17.2%, Adjusted EBITDA has increased from £8.2 million to £9.3 million and cash generation has been good despite the greater investment in new stock. As a result, the cash balance has increased from £3.8 million to £6.2 million and the Directors believe that this, combined with the new RCF, arranged since the year end, adds further robustness to the Group's balance sheet and will help the Group to execute its strategy.

Jeremy Wilson
Chief Financial Officer

Principal Risks and Uncertainties

Risk factors

The risks have not changed significantly from the IPO, however, as this is the first annual results announcement and there is not a prior annual report to refer to, they have been disclosed here as well as the annual report.

In common with all businesses, the Group faces risks, the effective management of which is necessary to enable it to achieve its strategic objectives and secure the business for the long term and is critical to the effective running of the business. Risk management is considered as part of the Group's decision-making processes.

Risk area	Description	Mitigation
Economic environment	The Group operates in the global economy and ultimately within a retail environment to consumer end-user musicians and such operations are influenced by global and national economic factors.	The Group sells products in around 160 territories worldwide via two distinct product categories and so aims to avoid being unduly reliant on any single product or territory.
Technological changes, product innovation and competition	The market for the Group's products is characterised by continued evolution in technology, evolving industry standards, changes in customer needs and frequent new competitive product introductions. If the Group is unable to anticipate or respond to these challenges, or fails to develop and introduce successful products on a timely basis, it could have an adverse impact on the Group's business and prospects.	The Group invests significantly in its research and development and operates a rigorous, disciplined product introduction process to ensure that as far as possible the fast-changing needs of its target markets are met. In addition, the Board aims to operate an efficient, low-cost business.
Dependence on a small number of suppliers	The Group is dependent on a small number of suppliers, in particular its largest supplier, which supplies Focusrite interfaces. Failure or material delay by its suppliers to perform or failure by the Group to renew such arrangements could have a material adverse effect on the Group's business, operating results and financial position.	The Group diversifies its risk by using four major Chinese manufacturers for the production of its products. Relationships are long lasting and strong. Typically, members of the Operations department within Focusrite meet each supplier every quarter to review performance and costs.
Key resellers and distributors	In certain countries, the Group operates via a single distributor or has large individual reseller customers. In certain cases, a failure of or breakdown in the relationship with a key reseller could significantly and adversely affect the Group's business.	In cases where there is a large distributor in a significant market (e.g. the USA), the Group also maintains contact with the major retailers. In addition, the Group carefully monitors customer credit limits and has credit insurance which typically covers 90% of the customer debts outstanding at any point in time.
Development of the channels to market	Significant change in the methods by which end-users wish to buy Focusrite products could significantly affect the Group's business.	In each market, the Group or its distributors sell to both 'bricks and mortar' and eCommerce retailers so that the Group can satisfy customer demand via both methods.

Currency risks	The Group is exposed to currency and exchange rate fluctuations which may affect the Group's revenue and costs when reported in Sterling.	There is a largely effective natural hedge for USD transactions in as much as the Group uses its generation of USD to buy product in USD. In addition, the Group mitigates its Euro exposure by entering into forward extra foreign exchange hedging contracts for the conversion of EUR to USD and GBP.
Scarcity of experienced technical personnel	The nature of the Group's business requires its employees in the technical and development teams to be highly skilled and experienced in their respective fields. The Group is dependent on being able to hire and retain such individuals in order to grow.	The Group is a leading music industry company in the UK and so attracts high quality technical personnel. The Group also attracts graduates from music technology courses at local universities. . The Group has wide-ranging share ownership incentives and other employment benefits to aid retention.
Intellectual property and data protection	The intellectual property and data developed by the Group is valuable and the Group could be harmed by infringement or loss.	The Group has strong data and information technology controls which are reviewed by the Group Board. Additionally, the Group includes data protection provisions in the contracts of all Group employees. The Group also aims to protect its intellectual property and pursues infringements.

Forward looking statements

Certain statements in this full year report 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 2015

	Note	2015 £'000	2014 £'000
Revenue		48,029	40,965
Cost of sales		(29,381)	(25,068)
Gross profit		18,648	15,897
Other gains and losses		-	15
Administrative expenses		(12,328)	(10,202)
Adjusted EBITDA (non GAAP measure)		9,302	8,228
Depreciation and amortisation		(2,278)	(1,796)
Non-underlying items		(704)	(722)
Operating profit		6,320	5,710
Finance income		164	186
Finance costs		-	(86)
Profit before tax		6,484	5,810
Income tax expense	5	(1,022)	(763)
Profit for the period from continuing operations		5,462	5,047
Earnings per share			
From continuing operations			
Basic (pence per share)	7	10.4	10.3
Diluted (pence per share)	7	9.3	8.8

Consolidated statement of comprehensive income

For the year ended 31 August 2015

	2015 £'000	2014 £'000
Profit for the period	5,462	5,047
Exchange differences on translation of foreign operations	-	-
Total comprehensive income for the period	5,462	5,047
Profit attributable to:		
Equity holders of the Company	5,462	5,047
	5,462	5,047

Consolidated statement of financial position

As at 31 August 2015

	Note	2015 £'000	2014 £'000
Assets			
Non-current assets			
Goodwill		419	419
Other intangible assets		3,522	2,616
Property, plant and equipment		1,323	939
Deferred tax asset		-	34
Total non-current assets		5,264	4,008
Current assets			
Inventories		8,633	6,596
Trade and other receivables		7,737	6,367
Other investments including derivatives		223	118
Cash and cash equivalents	8	6,173	3,803
Total current assets		22,766	16,884
Total assets		28,030	20,892
Equity and liabilities			
Capital and reserves			
Share capital		58	52
Merger reserve		14,595	-
Merger difference reserve		(13,147)	1,448
Translation reserve		(6)	(6)
Treasury share reserve		(6)	-
Retained earnings		16,984	11,714
Equity attributable to owners of the Company		18,478	13,208
Total equity		18,478	13,208
Current liabilities			
Trade and other payables		8,406	6,688
Current tax liabilities		403	432
Total current liabilities		8,809	7,120
Non-current liabilities			
Deferred tax		743	564
Total liabilities		9,552	7,684
Total equity and liabilities		28,030	20,892

Consolidated statement of changes in equity
for the year ended 31 August 2015

	Share capital £'000	Merger reserve £'000	Merger difference reserve £'000	Translation reserve £'000	Treasury share reserve ³ £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 September 2013	49	-	1,218	(6)	-	128	10,771	12,160
Profit for the period	-	-	-	-	-	-	5,047	5,047
Total comprehensive income for the period	-	-	-	-	-	-	5,047	5,047
Transactions with owners of the Company:								
Issue of ordinary shares	3	-	230	-	-	-	-	233
Share-based payments	-	-	-	-	-	12	-	12
Dividends	-	-	-	-	-	-	(4,244)	(4,244)
Balance at 31 August 2014	52	-	1,448	(6)	-	140	11,574	13,208
Profit for the period	-	-	-	-	-	-	5,462	5,462
Total comprehensive income for the period	-	-	-	-	-	-	5,462	5,462
Transactions with owners of the Company:								
Issue of ordinary shares	6	-	-	-	-	-	-	6
Ordinary shares issued to the EBT	-	-	-	-	(6)	-	-	(6)
Share for share exchange	-	14,595	(14,595)	-	-	-	-	-
Share based payments	-	-	-	-	-	122	-	122
Dividends	-	-	-	-	-	-	(314)	(314)
Balance at 31 August 2015	58	14,595	(13,147)	(6)	(6)	262	16,722	18,478

³ The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the Group. At 31 August 2015, the Employee Benefit Trust held 5,676,000 of the Company's shares (2014: nil)

Consolidated cash flow statement

for the year ended 31 August 2015

	Note	2015 £'000	2014 £'000
Net cash from operating activities	8	6,243	8,804
Investing activities			
Purchases of property, plant and equipment		(782)	(783)
Investment in intangible assets		(2,778)	(1,887)
Proceeds from disposal of non-current assets		1	100
Net cash from/(used in) investing activities		(3,559)	(2,570)
Financing activities			
Issue of equity shares		-	233
Equity dividends paid	6	(314)	(4,244)
Net cash (used in) financing activities		(314)	(4,011)
Net increase/(decrease) in cash and cash equivalents		2,370	2,223
Cash and cash equivalents at beginning of year		3,803	1,580
Cash and cash equivalents at end of year		6,173	3,803

Notes to the Group financial statements

Basis of preparation

These condensed preliminary financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 August 2015 have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs).

The information contained within this announcement has been extracted from the audited financial statements which have been prepared in accordance with IFRS as adopted by the European Union ('adopted IFRS'), and with those parts of the Companies Act 2006 applicable to companies reporting under adopted IFRS. They have been prepared using the historical cost convention except where the measurement of balances at fair value is required.

The Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertainties within the global economy. The Group has considerable financial resources, ongoing revenue streams and a broad spread of customers. As a consequence of these factors and having reviewed the forecasts for the coming year, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these financial statements.

Availability of audited accounts:

Copies of the 31 August 2015 audited accounts will be available on 10 December on the Company's website (www.focusriteplc.com/investors) for the purposes of AIM rule 26 and will be posted to shareholders in due course.

1 Revenue

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

	Year ended 31 August	
	2015	2014
	£'000	£'000
Continuing operations		
USA	18,498	14,307
Europe, Middle East and Africa	21,460	19,612
Rest of World	8,071	7,046
Consolidated revenue	48,029	40,965

2 Business Segments

Information reported to the Group's Chief Executive (who has been determined to be the Group's Chief Operating Decision Maker) for the purposes of resource allocation and assessment of segment performance is focused on the main product groups which Focusrite sells. The Group's reportable segments under IFRS 8 are therefore as follows:

Focusrite	Sales of Focusrite branded products
Novation	Sales of Novation branded products
Distribution	Distribution of third party brands including KRK speakers, Ableton, Stanton, Cerwin Vega and Cakewalk

Segment revenues and results

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

	Year ended 31 August	
	2015 £'000	2014 £'000
Revenue from external customers		
Focusrite	31,187	26,820
Novation	14,169	11,544
Distribution	2,673	2,601
Total	48,029	40,965
Segment profit		
Focusrite	14,221	12,814
Novation	6,842	6,270
Distribution	846	918
	21,909	20,002
Central distribution costs and administrative expenses	(14,885)	(13,570)
Adjusted operating profit before non-underlying items	7,024	6,432
Non-underlying items	(704)	(722)
Operating profit	6,320	5,710
Finance income	164	186
Finance costs	-	(86)
Profit before tax	6,484	5,810
Tax	(1,022)	(763)
Profit after tax	5,462	5,047

The accounting policies of the reportable segments are the same as the Group's accounting policies. 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 Group's Chief Executive 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 Focusrite and its US subsidiary, net of inter-Company commission income. Also included within central administration costs is the charge relating to the share option scheme of £122,000 for the year ended 31 August 2015 (2014: £12,000).

Segment net assets and other segment information

Management does not make use of segmental data relating to net assets and other balance sheet information for the purposes of monitoring segment performance and allocating resources between segments. Accordingly, other than the analysis of the Group's non-current assets by geographical location shown below, this information is not available for disclosure in the consolidated financial information.

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

	2015 £'000	2014 £'000
Non-current assets		
USA	29	14
Europe, Middle East and Africa	4,683	3,714
Rest of World	552	280
Total non-current assets	5,264	4,008

Information about major customers

Included in revenues shown for 2015 is £18.5 million (2014 £14.3 million) attributed to the Group's largest customer, American Music & Sound. Amounts owed at end of year is £2.7 million (2014 £3.2 million)

3 Profit for the year

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

		Continuing operations Year ended 31 August	
	Note	2015 £'000	2014 £'000
Net foreign exchange (gains)/losses	8	(53)	86
Research and development costs		743	620
IPO related costs	4	704	552
Depreciation and impairment of property, plant and equipment		374	423
Profit on disposal of property, plant and equipment		(1)	(100)
Amortisation of intangibles		1,902	1,461
Operating lease rental expense		156	130
Cost of inventories recognised as an expense		25,606	20,681
Staff costs		6,059	5,656
Impairment loss recognised on trade receivables		12	41
Change in fair value of financial instruments		(105)	(127)
Share-based payments charge to profit and loss		122	12

4 Non-underlying items

In December 2014, the Group floated on the London Stock Exchange AIM market. Non-recurring IPO related costs totalled £704,000, which were charged to the income statement (31 August 2014: £552,000). In addition, in 2014 the Group made a non-recurring pension contribution of £170,000 to the Chairman.

5 Tax

	Year ended 31 August	
	2015 £'000	2014 £'000
Corporation tax charges:		
Overprovision in prior year	(69)	-
Current year	878	627
	809	627
Deferred taxation		
Current year	213	136
	1,022	763

Corporation tax is calculated at 20.58% (2014: 22.17%) of the estimated taxable profit for the year. Taxation for the US subsidiary is 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	
	2015 £'000	2014 £'000
Current taxation		
Profit before tax on continuing operations	6,484	5,810
Tax at the UK corporation tax rate of 20.58% (2014: 22.17%)	1,334	1,288
Effects of:		
Expenses that are not deductible in determining taxable profit	564	128
R&D tax credit	(816)	(633)
Overseas tax	36	22
Prior period adjustment	(69)	-
Other reconciling items	-	1
Effect of change in standard rate of corporation tax	(27)	(43)
Current tax charge for period	1,022	763

6 Dividends

The following equity dividends have been declared and paid.

	Year ended 31 August	
	2015 £'000	2014 £'000
0.6p per qualifying ordinary share (2014: equivalent to 8.1p per qualifying ordinary share)	314	4,244
	314	4,244

During the year, the Company paid an interim dividend in respect of the year ended 31 August 2015 of 0.6pence per share, amounting to £314,394. On 9 December 2015, the Directors recommended a final dividend of 1.2 pence per share, making a total of 1.8 pence per share for the year.

7 Earnings per share

Reported earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings	Year ended 31 August	
	2015	2014
	£'000	£'000
Earnings for the purposes of basic and diluted earnings per share being net profit for the period	5,462	5,047

Number of shares	Year ended 31 August	
	2015	2014
	Number	Number
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share calculation	52,399	49,208
Effect of dilutive potential ordinary shares	6,416	8,143
Weighted average number of ordinary shares for the purposes of diluted earnings per share calculation	58,815	57,351

Earnings per share	Pence	Pence
Basic earnings per share	10.4	10.3
Diluted earnings per share	9.3	8.8

At 31 August 2015, the total number of ordinary shares issued and fully paid was 58,075,000. This included 5,676,000 shares held by the Employee Benefit Trust to satisfy options vesting in future years. The operation of this Employee Benefit Trust 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 earnings per share calculation is the net of the total number of shares in issue (58,075,000) less the number of shares held by the Employee Benefit Trust (5,676,000). It should be noted that the only right relinquished by the Trustees of the Employee Benefit Trust is the right to receive dividends. In all other respects, the shares held by the Employee Benefit Trust 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. Diluted EPS in 2014 has not been restated for any subsequent changes in assumptions made in calculating the effect of dilutive potential ordinary share issues such as average share price.

Adjusted earnings per share

Earnings	Year ended 31 August	
	2015	2014
	£'000	£'000
Profit for the financial period	5,462	5,047
Non-underlying items	704	722
Total underlying profit for adjusted earnings per share calculation	6,166	5,769

Number of shares	Year ended 31 August	
	2015	2014
	Number '000	Number '000
Weighted average number of ordinary shares for the purposes of basic earnings per share calculation	52,399	49,208
Effect of dilutive potential ordinary shares	6,416	8,143
Weighted average number of ordinary shares for the purposes of diluted earnings per share calculation	58,815	57,351

Earnings per share	Pence	Pence
Adjusted basic earnings per share	11.8	11.7
Adjusted diluted earnings per share	10.5	10.1

8 Notes to the cash flow statement

	Note	2015 £'000	2014 £'000
Profit for the financial year		5,462	5,047
Adjustments for:			
Income tax expense	5	1,022	763
Net interest		(164)	(100)
(Profit) on disposal of property, plant and equipment		(1)	(100)
Amortisation of intangibles		1,902	1,461
Depreciation of property, plant and equipment		368	423
Share-based payments charge		122	12
Operating cash flows before movements in working capital		8,711	7,506
(Increase)/decrease in trade and other receivables		(1,370)	1,378
(Increase)/decrease in inventories		(2,037)	307
Increase in trade and other payables		1,718	466
Operating cash flows before interest and tax paid		7,022	9,657
Net interest received		6	59
Income taxes paid		(838)	(826)
Cash generated by operations		6,190	8,890

Net foreign exchange movements	53	(86)
Net cash from operating activities	6,243	8,804

Cash and cash equivalents

	2015	2014
	£'000	£'000
Cash and bank balances	6,173	3,803

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.