

29 April 2015

Focusrite Plc (“the Group”)

Half Year Results for the period ended 28 February 2015

Focusrite Plc, the global music and audio products company supplying hardware and software products used by professional and amateur musicians, announces its Half Year Results for the six months ended 28 February 2015.

Financial Highlights

- Group revenue is up by 17.5% to £23.8 million (H1 FY14: £20.3 million)
- Adjusted EBITDA¹ is up by 20.5% to £4.7 million (H1 FY14: £3.9 million)
- Adjusted operating profit² is up by 23.3% to £3.7 million (H1 FY14: £3.0 million)
- Operating profit is similar to prior period at £3.0 million (H1 FY14: £3.0 million) reflecting the one-off costs of the IPO
- Net cash is up by 24.2% to £4.7 million (31 August 2014: £3.8 million)
- Adjusted diluted earnings³ per share are up by 48.1% to 6.0p (H1 FY14: 4.0p)
- Diluted earnings per share are up by 18.9% to 4.8p (H1 FY14: 4.0p)
- Maiden interim dividend of 0.6p per share

Operational Highlights

- Successful Initial Public Offering (“IPO”) on AIM completed in December 2014
- Continued growth in all geographical territories
- Market share gains in key market segments
- Announcement in January 2015 of two important product lines
 - Focusrite’s Clarett
 - Novation’s Launchpad Pro
- Rated, for fourth consecutive year, as one of the “Best 100 Small Companies To Work For” by The Sunday Times

Philip Dudderidge, Executive Chairman of Focusrite Plc, commented:

“After another successful year at Focusrite, I am delighted to introduce the first interim report for the Group as a public limited company. The Board decided to float the Group on the London Stock Exchange AIM market during 2014, knowing that AIM could facilitate investment in the Group by a wide range of institutional and private investors who could benefit from the expected future growth in the business and who could help to fund and fulfil our future growth ambitions.

The IPO in December 2014 was successful and I am pleased to welcome all our new investors as stakeholders in our business.

The performance achieved by the Group in this period has been a pleasing continuation of the historic growth. We continue to execute against our stated plan at IPO and we remain confident in the prospects for Focusrite in the second half of this financial year.”

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

² Adjusted for non-underlying items

³ Adjusted for non-underlying items

Enquiries:

Focusrite Plc:

Dave Froker (CEO) +44 1494 836301

Jeremy Wilson (CFO) +44 1494 836301

Panmure Gordon

Freddy Crossley +44 20 7886 2968

Tom Salvesen +44 20 7886 2904

Bell Pottinger

Nick Lambert +44 20 3772 2558

Charles Stewart +44 20 3772 2578

Business Review

Focusrite Plc ('the Group') has recently completed its initial period as an AIM-listed company and is pleased to report continued positive performance in H1 FY15. Turnover was £23.8 million in the six-month period to 28 February 2015, an increase of 17.5% when compared to six months to 28 February 2014 of £20.3 million, while adjusted EBITDA grew by 20.5% to £4.7 million (six months to 28 February 2014, £3.9 million).

Markets

	6 months to 28 February 2015 (unaudited) £'000	6 months to 28 February 2014 (unaudited) £'000	Year to 31 August 2014 (audited) £'000
Continuing operations			
USA	8,476	6,866	14,307
Europe, Middle East and Africa	11,659	10,443	19,612
Rest of World	3,663	2,945	7,046
Consolidated revenue	23,798	20,254	40,965

Continued market share gains in our key market segments worldwide illustrate our momentum with end-users and our various sales channels. In particular, in the USA, which is our largest single market, our average market share increased from 12.7% to 13.4%¹.

Focusrite's strongest growth territories have been the USA and the Rest of World (principally Asia). Revenue in USA has grown by 23.4%, despite some major customers reducing their stocking levels. In Europe, Middle East and Africa, our revenue grew at 11.6%, despite the weakening of the Euro. Finally, our revenue in the Rest of World grew at 24.4%, driven by strong growth throughout Asia.

¹ "MI Sales Trak" data for this half year compared to the same period last year

Products

	6 months to 28 February 2015 (unaudited) £'000	6 months to 28 February 2014 (unaudited) £'000	Year to 31 August 2014 (audited) £'000
Revenue from external customers			
Focusrite	15,330	12,618	26,820
Novation	6,831	6,131	11,544
Distribution	1,637	1,505	2,601
Total Revenue	23,798	20,254	40,965

Overall revenue in the Focusrite range of products increased by 21.5% to £15.3 million (six months to 28 February 2014, £12.6 million). The Group has continued to increase penetration in Focusrite's core audio interface market, largely via our highly successful 'Scarlett' range. Our high-end audio networking 'RedNet' products also continue to

penetrate live, broadcast and education markets. For example, RedNet forms the recording backbone of Usher's current world-wide tour and is seeing adoption in new vertical markets, including installations at Microsoft, the Beltway Park Baptist Church in Abilene, Texas, and Red Bull's Formula 1 racing team.

Revenue from the Novation brand, grew 11.4% to £6.8 million (six months to 28 February 2014, £6.1 million). Apart from solid underlying hardware sales, Novation, which serves the fast-growing Electronic Dance Music (EDM) producer/performer market, also made strides in software as we passed the 2.8 million download mark for our LaunchPad App for iOS devices. This App is free to download but it has an important marketing benefit and is starting to provide some income as customers pay for additional content. The Novation brand has been re-launched to positive acclaim, as we have refocused our marketing strategy and alignment to the customer. Finally, our revenue from distributed products made by other manufacturers increased by 8.8% to £1.6 million (six months to 28 February 2014, £1.5 million).

We intend to develop and launch between 10 and 20 new products each financial year. In the second half of this financial year we have a series of important launches planned and we are optimistic about their prospects in each market. In January, the Group announced two important new product lines, which will begin shipping in volume in the second half of this financial year: Focusrite's Clarett, a very high-quality line of Thunderbolt audio interfaces for the project studio, and Novation's Launchpad Pro, an advanced grid-based controller for EDM, expanding our industry-leading range of grid products. The industry reception to these announcements was encouraging, with over 1200 unique direct social mentions on launch day, double our previous record. We, and our distribution partners, are optimistic about their sales prospects.

Recent competitive announcements have been minor although we of course continue to monitor these assiduously and assess competitive threats.

People and processes

Our investments in people and processes are aggressive and show promise. The Group has made good hires in critical positions, while staff turnover remains low. In March 2015 we were awarded – for the fourth year in a row – a place in the “Best 100 Small Companies To Work For” by the Sunday Times. Underlying this commitment, we plan to expand access to tailored training courses for everyone at the Group this year.

Key Performance Indicators such as our Net Promoter Score and Ease-of-Use metrics continue to rise, reflecting the quality of our products and services. The average Amazon.com user rating for our products has now risen to 4.3 out of 5.

Cash and Working Capital

	6 months to 28 February 2015 (unaudited) £'000	6 months to 28 February 2014 (unaudited) £'000	Year to 31 August 2014 (audited) £'000
Operating cash flow before movements in working capital	4,033	3,887	7,506
Movement in working capital	(911)	420	2,150
Operating cash flow before interest and tax paid	3,122	4,307	9,656
Cash outflow in respect of non-underlying items	1,086	-	235
Operating cash flow before non-underlying items, interest and tax paid	4,208	4,307	9,891
Net interest received, foreign exchange movement and income tax paid	(386)	(510)	(851)
Net cash inflow from operating activities	2,736	3,797	8,805
Cash flows from investing activities			
Net cash used in investing activities	(1,814)	(990)	(2,571)
Net cash used in financing activities	-	-	(4,011)
Net increase/(decrease) in cash and cash equivalents	922	2,807	2,223
Cash and cash equivalents at beginning of year	3,803	1,580	1,580
Cash and cash equivalents at end of year	4,725	4,387	3,803

During the period, the Group continued to be solidly cash generative, despite the one-off impact of the IPO costs. Operating cash flow before interest and tax paid was £3.1 million (six months to 28 February 2014, £4.3 million). Excluding the cash impact of the IPO costs (£1.1 million cash outflow), the operating cash flow before interest and tax paid was £4.2 million, down £0.1 million compared with the six months to 28 February 2014, and representing 90% of the Adjusted EBITDA (six months to 28 February 2014, 111%).

Within this, the working capital remained well controlled. The movement in working capital was an outflow of £0.9 million (six months to 28 February 2014, inflow of £0.4 million) due largely to the greater investment in inventory to support the higher revenue. Stock turn (cost of sales/stock) remained around 3.5 times.

Net interest was negligible as the Group has no bank debt.

Cash flows from investing activities consisted mainly of the capitalised investment of intangible assets (£1.25 million, up from £0.84 million in the six months to 28 February 2014), in respect of internal research and development. Approximately, a third of the Group's employees are engaged in research and development and the total cost was 6.8% of revenue (up from 6.3% of revenue for the six months to 28 February 2014). The research and development team develops all of the Group's products following detailed internal justification and approval processes. The profitable retail life of the products is three to six years, and consequently, a high proportion of the research and development spend is capitalised. The capitalised cost is amortised over three years.

The cash balance at the period end was £4.7 million, up from £3.8 million at 31 August 2014.

Foreign exchange rate management

During the period, there have been significant movements in both the US Dollar and the Euro. There is a natural hedge against Sterling/US Dollar movements because the Group uses US Dollars to purchase stock from Asian suppliers and receives US Dollars in payment for goods sold in the USA (and a few other territories). Sales to our European channel are denominated in Euros with few accompanying Euro-denominated costs so, for this reason, the Group hedges the Sterling/Euro rates. These hedges have been successful, resulting in minor net changes to revenue and gross profit as a consequence of currency fluctuations.

Corporation tax

The Group benefits from tax allowances (R&D tax credits) on relevant research and development expenditure, thereby reducing the effective tax rate. In contrast, the IPO costs referred to below are, typically, not allowable for corporation tax, therefore, the effective tax rate has been estimated to increase to 18% for the current period, up from 15% for the six months to 28 February 2014. Excluding the IPO costs, the effective tax rate remains at 15%.

Initial Public Offering

During the period, the Focusrite Plc completed a successful IPO and was admitted to AIM on 11 December 2014. One-off costs relating to the IPO were charged to the Income Statement totalling £0.7 million, in addition to further one-off IPO costs of £0.6 million charged during the year ended 31 August 2014.

Dividend

As set out in the Admission Document, the Board intends to adopt a progressive dividend policy with an initial annual dividend yield of between 1% and 2% of the flotation price (£1.26 per share), which equates to between 1.26p and 2.52p per share per year. The Board intends that the annual dividend should be weighted towards the final dividend. Accordingly, in accordance with this policy, the Board announces a maiden interim dividend of 0.6p per share.

Outlook

The Board continues to target strong revenue growth driven by an ambitious programme of product introductions and strict operational discipline.

Our goal to “Make Music Easy to Make” drives us forward, bringing more and more musicians into recording, performing and producing their music. The Group is exploiting disruptive transitions in music: in instruments, as more and more musicians play EDM with grids like LaunchPad; in recording platforms, as the industry adopts tablet platforms; and in playback, as streaming services such as Spotify and YouTube dominate music consumption.

In short, we continue to execute against our stated plan at IPO and we remain confident in the prospects for Focusrite in the second half of this financial year.

Dave Froker
Chief Executive Officer

Jeremy Wilson
Chief Financial Officer

Condensed Consolidated Income Statement

For the six months ended 28 February 2015

	Note	6 months to 28 February 2015 (unaudited) £'000	6 months to 28 February 2014 (unaudited) £'000	Year to 31 August 2014 (audited) £'000
Revenue		23,798	20,254	40,965
Cost of sales		(14,429)	(12,147)	(25,068)
Gross profit		9,369	8,107	15,897
Other income		-	11	15
Administrative expenses		(6,411)	(5,147)	(10,202)
Adjusted EBITDA (non GAAP measure)		4,677	3,881	8,228
Depreciation and amortisation		(1,015)	(910)	(1,796)
Non-underlying items		(704)	-	(722)
Operating profit		2,958	2,971	5,710
Finance income		528	1	186
Finance costs		-	(106)	(86)
Profit before tax		3,486	2,866	5,810
Income tax expense	4	(622)	(422)	(763)
Profit for the period from continuing operations		2,864	2,444	5,047
Earnings Per Share				
From continuing operations				
Basic (pence per share)	7	5.5	5.0	10.3
Diluted (pence per share)	7	4.8	4.0	8.8

Condensed Consolidated Statement of Other Comprehensive Income

For the six months ended 28 February 2015

		6 months to 28 February 2015 (unaudited) £'000	6 months to 28 February 2014 (unaudited) £'000	Year to 31 August 2014 (audited) £'000
Profit for the period		2,864	2,444	5,047
Exchange differences on translation of foreign operations		-	-	-
Total comprehensive income for the period		2,864	2,444	5,047
Profit attributable to:				
Equity holders of the Company		2,864	2,444	5,047
		2,864	2,444	5,047

Condensed Consolidated Statement of Financial Position

As at 28 February 2015

	Note	28 February 2015 (unaudited) £'000	28 February 2014 (unaudited) £'000	31 August 2014 (audited) £'000
Assets				
Non-current assets				
Goodwill		419	419	419
Other intangible assets		3,172	2,319	2,616
Property, plant and equipment		1,170	528	939
Deferred tax asset		34	100	34
Total non-current assets	3	4,795	3,366	4,008
Current assets				
Inventories		7,839	6,391	6,596
Trade and other receivables		6,496	5,416	6,367
Other investments including derivatives	8	585	-	118
Cash and cash equivalents	8	4,725	4,387	3,803
Total current assets		19,645	16,194	16,884
Total assets		24,440	19,560	20,892
Equity and liabilities				
Capital and reserves				
Share capital		58	49	52
Share premium		332	102	332
Capital redemption reserve fund		1,116	1,116	1,116
Translation reserve		(6)	(6)	(6)
Treasury share reserve		(6)	-	-
Share based payment reserve		200	134	140
Retained earnings		14,124	13,215	11,574
Equity attributable to owners of the Company		15,818	14,610	13,208
Total equity		15,818	14,610	13,208
Current liabilities				
Trade and other payables		7,463	3,982	6,688
Current tax liabilities		400	434	432
Derivative financial instruments	8	-	68	-
Total current liabilities		7,863	4,484	7,120
Non-current liabilities				
Deferred tax		759	466	564
Total liabilities		8,622	4,950	7,684
Total equity and liabilities		24,440	19,560	20,892

Condensed Consolidated Statements of Changes in Equity

For the six months ended 28 February 2015

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Translation reserve £'000	Treasury share reserve* £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 September 2014	52	332	1,116	(6)	-	140	11,574	13,208
Profit for the period	-	-	-	-	-	-	2,864	2,864
Total comprehensive income for the period	-	-	-	-	-	-	2,864	2,864
Transactions with owners of the Company:								
Issue of ordinary shares	6	-	-	-	-	-	-	6
Ordinary shares issued to the EBT	-	-	-	-	(6)	-	-	(6)
Share based payments	-	-	-	-	-	60	-	60
Dividends proposed	-	-	-	-	-	-	(314)	(314)
Balance at 28 February 2015	58	332	1,116	(6)	(6)	200	14,124	15,818

For the six months ended 28 February 2014

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Translation reserve £'000	Treasury share reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 September 2013	49	102	1,116	(6)	-	128	10,771	12,160
Profit for the period	-	-	-	-	-	-	2,444	2,444
Total comprehensive income for the period	-	-	-	-	-	-	2,444	2,444
Transactions with owners of the Company:								
Share based payments	-	-	-	-	-	6	-	6
Balance at 28 February 2014	49	102	1,116	(6)	-	134	13,215	14,610

For the year ended 31 August 2014

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Translation reserve £'000	Treasury share reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 September 2013	49	102	1,116	(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 paid	-	-	-	-	-	-	(4,244)	(4,244)
Balance at 31 August 2014	52	332	1,116	(6)	-	140	11,574	13,208

*The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the Group. At 28 February 2015, the Employee Benefit Trust held 5,676,000 of the Company's shares (six months ended 28 February 2014: nil)

Consolidated Statement of Cash Flow

For the six months ended 28 February 2015

	6 months to 28 February 2015 (unaudited) £'000	6 months to 28 February 2014 (unaudited) £'000	Year to 31 August 2014 (audited) £'000
Note			
Cash flows from operating activities			
Profit for the period before non-underlying items	3,568	2,444	5,769
Non-underlying items	5 (704)	-	(722)
Profit for the period	2,864	2,444	5,047
Adjustments for:			
Income tax expense	622	422	763
Net finance (income)/ expense	(528)	105	(100)
(Profit)/loss on disposal of property, plant and equipment	-	-	(100)
Amortisation of intangibles	829	715	1,461
Depreciation of property, plant and equipment	186	195	423
Share based payment charge	60	6	12
Operating cash flow before movements in working capital	4,033	3,887	7,506
(Increase)/ Decrease in trade and other receivables	(129)	2,303	1,352
(Increase)/ Decrease in inventories	(1,243)	511	306
Increase/ (Decrease) in trade and other payables excluding non-underlying items	843	(2,394)	5
(Decrease)/ Increase in payables in respect of non-underlying items	(382)	-	487
Operating cash flow before interest and tax paid	3,122	4,307	9,656
Cash outflow in respect of non-underlying items	1,086	-	235
Operating cash flow before non-underlying items, interest and tax paid	4,208	4,307	9,891
Net interest received	3	1	59
Income tax paid	(459)	(467)	(826)
Cash generated by operations	2,666	3,841	8,889
Net foreign exchange movement	70	(44)	(84)
Net cash inflow from operating activities	2,736	3,797	8,805
Cash flows from investing activities			
Purchases of property, plant and equipment	(459)	(146)	(783)
Purchases of intangible assets	(1,355)	(844)	(1,888)
Proceeds from disposal of intangible assets	-	-	100
Net cash from/(used in) investing activities	(1,814)	(990)	(2,571)
Cash flows from financing activities			
Issue of equity shares	-	-	233
Equity dividends paid	-	-	(4,244)
Net cash used in financing activities	-	-	(4,011)
Net increase/(decrease) in cash and cash equivalents	922	2,807	2,223
Cash and cash equivalents at beginning of year	3,803	1,580	1,580
Cash and cash equivalents at end of year	4,725	4,387	3,803

Notes to the Condensed Consolidated Interim Financial Statement

1. Basis of preparation and significant accounting policies

Focusrite Plc (the “Company”), is a company incorporated in the United Kingdom. The condensed consolidated interim financial statements (‘interim financial statements’) as at and for the six months ended 28 February 2015 comprised the Company and its subsidiaries (together referred to as the ‘Group’).

The Group is a business engaged in the development, manufacture and marketing of professional audio and electronic music products.

Statement of compliance

The condensed interim consolidated financial statements (“the interim financial statements”) are for the 6 months ended 28 February 2015 and are presented in pounds Sterling (GBP). This is the functional currency of the Group. The interim financial report has been prepared in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards ('IAS') and interpretations currently endorsed by the International Accounting Standards Board ('IASB') and its committees as adopted by the EU and as required to be adopted by AIM listed companies. AIM listed companies are not required to comply with IAS 34 'Interim Financial Reporting' and accordingly the Company has taken advantage of this exemption. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 August 2014.

These interim financial statements were authorised for issue by the Company’s Board of Directors on 29 April 2015

Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group’s Admission Document issued on 5 December 2014 and those expected to be adopted for the year ended 31 August 2015.

1.1 Basis of consolidation

On 11 December 2014, Focusrite Plc was admitted to trading on AIM. In preparation for the IPO, the Group was restructured. On 4 December 2014, the Company obtained control of 100% of the share capital of Focusrite Audio Engineering Limited in a share for share exchange, thereby inserting Focusrite Plc as the parent company of the Group. There were no changes in rights or proportion of control exercised as a result of this transaction.

Although the share for share exchange resulted in a change of legal ownership, in substance the financial statements reflect the continuation of the pre-existing Group, headed by Focusrite Audio Engineering Limited.

As a result, the comparatives for the six month period to 28 February 2014 presented in these financial statements are the consolidated results of Focusrite Audio Engineering Limited. For the detailed impact on the earnings per share calculation, see note 7.

The statement of financial position at 28 February 2014 reflects the share capital structure of Focusrite Audio Engineering Limited. The statement of financial position at 28 February 2015 presents the legal change in ownership of the Group, including the share capital of Focusrite Plc and the merger reserve arising as a result of the share for share exchange transaction.

The basis for the comparative financial information for the year ended 31 August 2014 was the audited financial statements for Focusrite Audio Engineering Limited, prepared using UK Generally Accepted Accounting Practices. The historical financial information was converted to International Financial Reporting Standards as adopted by the EU ('EU IFRS') for publication in the Admission Document, dated 5 December 2014, on which an unqualified accountant's report opinion was issued. Hence the comparative financial information has been shown as audited.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

1.2 Going concern

The Board of Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

1.3 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders by 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.

As explained in the basis of consolidation accounting policy, the Group's financial statements reflect the continuation of the pre-existing group headed by Focusrite Audio Engineering Limited. The number of ordinary shares is consistent as a result of listing.

For the period reported, the Group has chosen to present an adjusted EPS (Note 7) calculation with profit adjusted for non-underlying items to aid comparability and to provide a consistent measure of performance.

1.4 Non underlying items

Non-underlying items are those items that are unusual because of their size, nature or incidence. The Directors consider that these items should be separately identified to ensure a full understanding of the Group's results.

1.5 Accounting estimates and judgements

In application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by the Directors in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the Admission Document.

1.6 Foreign currencies

Transactions in foreign currencies are translated to the functional currency of the Group at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the period end date. Foreign exchange differences arising on the translation are recognized in the consolidated income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transactions.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at the period end foreign exchange rate ruling at the reporting date. The revenue and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rate ruling at the dates of the transaction.

Exchange differences arising from the translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

2. Revenue

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

	6 months to 28 February 2015 (unaudited) £'000	6 months to 28 February 2014 (unaudited) £'000	Year to 31 August 2014 (audited) £'000
Continuing operations			
USA	8,476	6,866	14,307
Europe, Middle East and Africa	11,659	10,443	19,612
Rest of World	3,663	2,945	7,046
Consolidated revenue	23,798	20,254	40,965

3. Operating segments

Products and services from which reportable segments derive their revenues

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 the Group 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, Stanton, Cerwin Vega, Cakewalk

3. Operating segments (Continued)

The revenue and profit generated by each of the Group's operating segments are summarised as follows:

	6 months to 28 February 2015 (unaudited) £'000	6 months to 28 February 2014 (unaudited) £'000	Year to 31 August 2014 (audited) £'000
Revenue from external customers			
Focusrite	15,330	12,618	26,820
Novation	6,831	6,131	11,544
Distribution	1,637	1,505	2,601
Total	23,798	20,254	40,965
Segment profit			
Focusrite	7,090	6,055	12,814
Novation	3,519	3,359	6,270
Distribution	528	533	918
	11,137	9,947	20,002
Central distribution costs and administrative expenses	(7,475)	(6,976)	(13,570)
Adjusted operating profit before non-underlying items	3,662	2,971	6,432
Non-underlying items	(704)	-	(722)
Operating profit	2,958	2,971	5,710
Finance income	528	1	186
Finance costs	-	(106)	(86)
Profit before tax	3,486	2,866	5,810
Tax	(622)	(422)	(763)
Profit after tax	2,864	2,444	5,047

Segment profit represents the profit earned by each segment without allocation of the share of central administration costs including Directors' salaries, finance income 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 the Group. Also included within central administration costs is the charge relating to the share option scheme of £60,000 for the six month period to 28 February 2015 (six months to 28 February 2014: £6,000; year to 31 August 2014: £12,000).

3. Operating segments (continued)

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 region shown below, this information is not available for disclosure in the consolidated financial information.

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

	28 February 2015 (unaudited) £'000	28 February 2014 (unaudited) £'000	31 August 2014 (audited) £'000
Non-current assets			
USA	25	15	14
Europe, Middle East and Africa	4,353	3,040	3,714
Rest of World	417	311	280
Total non-current assets	4,795	3,366	4,008

4. Taxation

The tax charge for the six months to 28 February 2015 is based on the estimated tax rate for the full year in each jurisdiction

5. Non-underlying items

In December 2014, the Group floated on the London Stock Exchange AIM market. Non-recurring IPO related costs totalled £0.7 million, which were charged to the income statement (28 February 2014: £nil; 31 August 2014: £0.6 million)

6. Dividends

The following interim equity dividends have been declared.

	6 months to 28 February 2015 (unaudited) £'000	6 months to 28 February 2014 (unaudited) £'000	Year to 31 August 2014 (audited) £'000
0.6p per qualifying ordinary share (2014: 8.1p per qualifying ordinary share)	314	-	4,244
	314	-	4,244

No interim dividend was proposed in respect of the six months to 28 February 2014

7. Earnings per share

Reported earnings per share

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

	6 months to 28 February 2015 (unaudited) £'000	6 months to 28 February 2014 (unaudited) £'000	Year to 31 August 2014 (audited) £'000
Earnings			
Earnings for the purposes of basic and diluted earnings per share being net profit for the period	2,864	2,444	5,047

	6 months to 28 February 2015 number '000	6 months to 28 February 2014 number '000	Year to 31 August 2014 number '000
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share calculation	52,399	48,837	49,208
Effect of dilutive potential ordinary shares:			
EMI share option scheme and unapproved share option plan	7,382	11,795	8,143
Weighted average number of ordinary shares for the purposes of diluted earnings per share calculation	59,781	60,632	57,351
Earnings per share	Pence	Pence	Pence
Basic earnings per share	5.5	5.0	10.3
Diluted earnings per share	4.8	4.0	8.8

7 Earnings per share (continued)

Adjusted earnings per share

Earnings	6 months to 28 February 2015 (unaudited) £'000	6 months to 28 February 2014 (unaudited) £'000	Year to 31 August 2014 (audited) £'000
Profit for the financial period	2,864	2,444	5,047
Non underlying items	704	-	722
Total underlying profit for adjusted earnings per share calculation	3,568	2,444	5,769

	6 months to 28 February 2015 number '000	6 months to 28 February 2014 number '000	Year to 31 August 2014 number '000
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share calculation	52,399	48,837	49,208
Effect of dilutive potential ordinary shares:			
EMI share option scheme and unapproved share option plan	7,382	11,795	8,143
Weighted average number of ordinary shares for the purposes of diluted earnings per share calculation	59,781	60,632	57,351
Earnings per share			
Adjusted basic earnings per share	6.8	5.0	11.7
Adjusted diluted earnings per share	6.0	4.0	10.1

8. Financial instruments

The fair value of the Group's derivative financial instruments is calculated using the quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing model for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.

IFRS13 Fair value measurements requires the Group's derivative financial instruments to be disclosed at fair value and categorised in three levels according to the inputs used in the calculation of their fair value:

8. Financial instruments (continued)

Financial instruments carried at fair value should be measured with reference to the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial instruments held by the Group that are measured at fair value all related to financial assets/ (liabilities) measured at fair value through profit and loss (FVTPL) using a Level 2 valuation method.

The fair value of financial assets and liabilities held by The Group are:

	28 February 2015 (unaudited) £'000	28 February 2014 (unaudited) £'000	31 August 2014 (audited) £'000
Financial assets			
Cash and cash equivalents	4,725	4,387	3,803
Forward exchange contracts	585	-	118
Trade receivables	5,295	3,942	5,409
	10,605	8,329	9,330
Financial Liabilities			
<i>Fair value through profit and loss (FVTPL)</i>			
Forward exchange contract	-	68	-
Amortised cost			
Trade payables	3,995	2,111	4,094
	3,995	2,179	4,094

Independent Review Report to Focusrite Plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 28 February 2015 which comprises the condensed consolidated state of profit and loss and other comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flow and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 28 February 2015 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU and the AIM Rules.

Peter Meehan (Senior Statutory Auditor)

for and on behalf of KPMG LLP

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH