



**Making  
music **easy**  
**to make****

**Focusrite**

**Interim Report**

Six months to 28 February 2018

## Introduction

**Focusrite Plc is a global music and audio technology group, supplying hardware and software solutions to musicians and sound professionals**

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## Business Highlights

"It has been a great first six months. We have again increased revenue in all of our major regions and across all of our product ranges, and the whole team should be congratulated. I am particularly honoured that we have been awarded our fourth Queen's Award this April. The playing and recording of music is such a great positive force and I am so pleased that this continues to grow across the world, with Focusrite at its core."

**Philip Dudderidge**  
Executive Chairman

"Our strategy of innovation and expansion continues to underpin our growth and we remain committed to making music easier to make for professionals and hobbyists alike. Our success is driven by our entrepreneurial and talented team, many of whom are themselves musicians, and their skill and loyalty is the bedrock of our success.

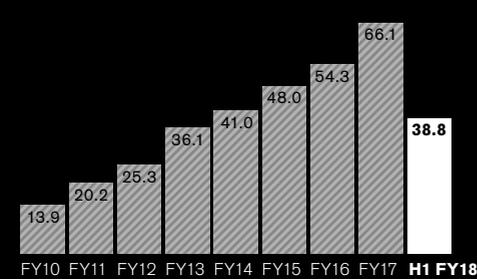
I am delighted with the Group's performance in the first half which benefited from an especially strong Christmas holiday season. Since the half year end, revenue and cash have continued to grow although, as expected, at a slower rate than in the first half. We remain confident about the outlook for the rest of the year and beyond: future product plans are taking shape, the geographic expansion continues and the strategy developments are bearing fruit."

**Tim Carroll**  
CEO

## Financial Highlights

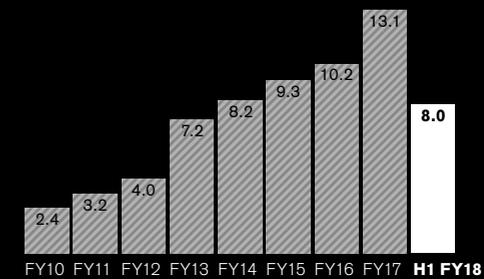
### Group revenue

£million



### EBITDA<sup>1</sup>

£million



<sup>1</sup> Comprising of earnings adjusted for interest, taxation, depreciation and amortisation.

## Business and Operating Review

### Overview

**Focusrite is pleased to report Half Year Results that show continued strong organic growth across the business. Year-on-year growth in the first half of the current financial year continued with revenue growing by 21.2%.**

Total revenue for the period grew to £38.8 million (HY17: £32.0 million), resulting in an operating profit of £6.2 million (HY17: £4.6 million), with EBITDA up to £8.0 million (HY17: £6.1 million).

Revenue growth on a constant currency basis accelerated further to 26% (HY17: 12%). The Group had an especially strong Christmas holiday season for the more consumer-priced products. We also saw the benefit of our focused efforts in previously identified geographies with growth potential, and growth in our professional product lines from our newly formed Professional division.

Research and development remains core to our strategy and a key driver of our growth. During this half year, we introduced five new products and delivered five upgrades to existing products. Additionally, we delivered new tools focused on simplifying the new user experience, thereby significantly reducing the actual time between first contact with our products and making music. These efforts have been well received by our customers and played a key role in the strong performance reported today, especially for our products and solutions aimed at the new user.

Sales grew in all major geographies and particularly in the USA. We have invested resources into high potential growth markets such as Asia and Latin America which have begun generating significant year-on-year gains. Additionally, we continue to grow in our other more established markets such as the UK and mainland Europe.

Our strategy of innovation and expansion continues to underpin our growth and we remain committed to making music easier to make for professionals and hobbyists alike. Our success is driven by our entrepreneurial and talented team, many of whom are themselves musicians and their skill and loyalty is the bedrock of our success.

We will add more people globally to our sales, marketing, engineering and product groups to support our future growth plan.

### Financial highlights

- Group revenue up by 21.2% (26% at constant currency<sup>1</sup>) to £38.8 million (HY17: £32.0 million)
- EBITDA<sup>2</sup> up by 30.0% to £8.0 million (HY17: £6.1 million)
- Operating profit up by 36.3% to £6.2 million (HY17: £4.6 million)
- Profit before tax up by 26.8% to £5.8 million (HY17: £4.6 million)
- Basic earnings per share up 23.3% to 9.0p (HY17: 7.3p)
- Diluted earnings per share up by 27.1% to 8.9p (HY17: 7.0p)
- Free cash flow<sup>3</sup> up by 49.7% to £6.4 million (HY17: £4.3 million)
- Net cash of £19.7 million (FY17: £14.2 million HY17: £9.4 million)
- Interim dividend of 1.0 pence, up 33.3% from 0.75 pence in HY17

1 Where we make reference to constant currency growth rates, these are prepared by retranslating the current year revenues using the average exchange rates that prevailed in the prior year rather than the actual exchange rates that applied in the current year.

2 Comprising of earnings adjusted for interest, taxation, depreciation and amortization. This is shown on the face of the income statement.

3 Free cash flow equals net cash inflow from operating activities less net cash used in investing activities.



## Business and Operating Review continued

### Operating review

We continue to exceed our core growth KPI benchmarks and consequently the Group continues to perform well both operationally and financially. The management team is committed to pursuing its stated goals of innovation; disruption; making music easier to make; and expanding our addressable market. We have firmly established ourselves as a market leader and our aim is to capitalise further on this by continuing to excite and empower our customers. By improving the product and customer experience, we will seek to extend the customer lifecycle, encouraging them to use our products longer throughout their music-making lifetime.

### Segmental analysis – markets

|                                | Six months to<br>28 February<br>2018<br>(unaudited)<br>£'000 | Six months to<br>28 February<br>2017<br>(unaudited)<br>£'000 | Year to<br>31 August<br>2017<br>(audited)<br>£'000 |
|--------------------------------|--|--|--|
| <b>Continuing operations</b>   |  |  |  |
| USA                            | 16,123   | 13,246   | 27,990   |
| Europe, Middle East and Africa | 15,997   | 12,958   | 25,153   |
| Rest of World                  | 6,699  | 5,816  | 12,912   |
| <b>Consolidated revenue</b>    | <b>38,819</b>  | <b>32,020</b>  | <b>66,055</b>                                      |

Regionally, the USA grew by 34% on a constant currency basis. This was driven by a number of factors, including continued success and market share gain in our 2nd generation Scarlett series of audio interfaces, as well as continued growth of our Launch products for electronic musicians, and progress by our new Focusrite Professional division into new vertical markets such as post-production.

In Europe, Middle East and Africa, sales were up by 19% on a constant currency basis. All of the major territories (UK, Germany and mainland Europe) have experienced solid growth. Overall, we have seen increased stabilisation in the market along with an increased awareness and acceptance of our Focusrite and Novation solutions.

The Rest of World grew at 26% on a constant currency basis, and in particular Asia performed well, showing a healthy increase following our investment in a local office and the addition of more people. We continue to invest more resources into regional localisation and support to maintain our growth momentum.

### eCommerce

The Group's eCommerce store, which launched in March 2016, now accounts for over 1% of the Group's total revenue and this continues to grow. In addition to providing a direct revenue stream, the store creates improved conversion through all sales channels. We have expanded this and it now ships a wider range of products globally, with targeted regional strategies in place.

### Segmental analysis – products

|  | Six months to<br>28 February<br>2018<br>(unaudited)<br>£'000 | Six months to<br>28 February<br>2017<br>(unaudited)<br>£'000 | Year to<br>31 August<br>2017<br>(audited)<br>£'000 |
|--|--|--|--|
| <b>Revenue from external customers</b> |  |  |  |
| Focusrite                              | 25,693   | 20,856   | 44,552   |
| Novation                               | 11,419   | 9,604  | 18,862   |
| Distribution                           | 1,707  | 1,560  | 2,641  |
| <b>Total</b>                           | <b>38,819</b>  | <b>32,020</b>  | <b>66,055</b>                                      |

Alongside engineering, innovation is paramount to our success and we continue to spend around 6% of annual revenue on research and development to provide a constant pipeline of new and relevant products for our various channels.

We launched five new products during the period: the Clarett USB family (three products), Red 16 and Red X2P, as well as significant software updates including those for Circuit, Launchpad, Groovebox and BlocsWave. These new products and updates are across different price segments and target customer markets, giving us further penetration and reach. Feedback from the consumer, retailer and distribution channels has been positive and acceptance so far has been pleasing.

### Focusrite

Among existing products, our 2nd generation Scarlett USB audio interface range has continued to gain market share since its launch in June 2016. The Clarett range has also seen solid growth of 28% year on year, mostly driven by the launch of our USB range this half year. Rednet and Red ranges have also grown as our newly formed Focusrite Professional division begins netting strategic sales wins in previously untargated vertical markets such as the post-production and broadcast sectors.

### Novation

Launchpad, Novation's grid instrument that comes pre-loaded with Ableton Live Lite software, continues to grow worldwide with revenue increasing by 26% over the period. This is due, in part, to a wider market acceptance of grid controllers, especially amongst younger musicians and the addition of more consumer electronic partners added to the distribution channel. This move has created greater reach into both new and existing mainstream audiences. Online sales remain an area of importance for the Group, as we seek to stay relevant to the way consumers shop and spend.

Additionally, within the Novation business, the Synthesizer category is up 90% year-on-year as our new flagship offering, PEAK, establishes itself as a best-in-class solution for professionals in electronic music.

Circuit, the inspirational grid-based groove box, continues to build a foundation in the market. We are pleased with its progress and are watching the groove box product space carefully to ascertain how we should progress in this specific area.

## Business and Operating Review continued

The London Innovation division continues to disrupt the market with a growing portfolio of innovative music-making software. The new Ampify brand continues to drive awareness of music creation to a vast new market of music creators, which in turn supports the growth of the Focusrite and Novation brands. The suite of music apps, has now reached an impressive 8.5 million downloads, and this number is increasing at around 200,000 per month. Software is a crucial component of the business strategy to solve the problems of music creation, increasing customer loyalty and overall life time value.

### Distribution

Focusrite's distribution of adjacent products, such as KRK monitors and sE microphones, remains a small overall proportion of Group revenue, but it is profitable and it remains important to us as it offers add-on products within the music-making industry and provides us with valuable market feedback, insight and knowledge.

### Financial review

#### Revenue and profit

Group revenue for the half year was £38.8 million, up 21.2% on the previous year and up 26% on a constant currency basis. All major product groups and geographical areas increased with the biggest increases in the Launch range of products (within the Novation segment), which had a volume increase of 24%, and the Scarlett range of products (within the Focusrite segment), which had a volume increase of 38%.

The gross margin also increased to 41.7% (HY17: 40.1%), helped by the stronger Euro and closer monitoring of the discounts given to distributors and dealers. As explained at the last year end, operating costs were increased in sales and marketing to support the strategic initiatives around the professional products within the Focusrite segment and the eCommerce sales channel. Operating costs were increased by 20.4%. Taking these factors into account, EBITDA for the period grew by 30.0% to £8.0 million (HY17: £6.1 million).

#### Capitalisation of research and development

The Group typically spends approximately 6% of its revenue on research and development, developing future ranges of products. The normal product life is between three and six years. Where costs can be reliably assigned to a particular product, the costs are capitalised and written off over three years. Typically around 70% of R&D costs are capitalised. The net income statement effect of the capitalisation less the amortisation in the period was a gain of £0.1 million (HY17: a gain of £0.3 million).

#### Foreign currency

|                       | Six months to<br>28 February<br>2018 | Six months to<br>28 February<br>2017 | Year to<br>31 August<br>2017 |
|-----------------------|--------------------------------------|--------------------------------------|------------------------------|
| <b>Exchange rates</b> |                                      |                                      |                              |
| Average \$:£          | 1.35                                 | 1.26                                 | 1.27                         |
| Average €:£           | 1.13                                 | 1.16                                 | 1.16                         |
| Period end \$:£       | 1.38                                 | 1.24                                 | 1.29                         |
| Period end €:£        | 1.13                                 | 1.17                                 | 1.09                         |



## Business and Operating Review continued

The movements in exchange rates were far smaller than in the previous year. The US Dollar weakened by 7% and the Euro strengthened marginally. The US Dollar accounts for approximately 60% of Group revenue (North America, Asia and Latin America) and all of the purchases of product from Chinese contract manufacturers. Therefore there is a substantial natural hedge in place. Consequently, the 7% weakening of the US Dollar reduced revenue but had little impact on profit.

The Euro accounts for approximately 25% of Group revenue with very little related Euro cost. The Group has hedged approximately 2/3 of its Euro flows to convert them into Sterling at an average rate of €1.12. Therefore the blended Euro exchange rate in the period was €1.12 (HY17: €1.25).

The Group has hedged approximately 2/3 of the Euro cash flows for the rest of this financial year (at an average rate of €1.12) and approximately 25% of Euro cash flows for 2018/19 at an average rate of €1.07.

The Group uses hedge accounting meaning that the hedging contracts have been matched to the associated income flows. Therefore, provided that the hedge remains effective, movements in the fair value of unexpired hedge contracts are shown in a hedging reserve in the balance sheet.

### Net financing charges

The net financing charges were £0.4 million (HY17: £nil) due largely to the revaluation of bank balances held in US Dollars.

### Profit before tax

Reported profit before tax grew to £5.8 million, up 26.8% on the prior period (HY17: £4.6 million) driven by all of the factors discussed above, most particularly, the higher revenue and the increased gross margin.

### Tax

The standard rate of Corporation Tax in the UK is 19%. The Group gains additional tax relief on the substantial research and development effort, which reduces the effective tax rate to 12% (HY17: 12%).

### Profit after tax and earnings per share

Profit after tax was £5.1 million, up 26.6% on the prior year (HY17: £4.0 million).

The reported basic earnings per share increased by 23.3% to 9.0 pence (HY17: 7.3 pence). This was lower than the increase in the profit after tax because the number of shares in issue was increased due largely to the vesting of 1.4 million options which were satisfied out of the Employee Benefit Trust.

A much smaller number of new share options was issued during the period so the diluted earnings per share increased by 27.1% to 8.9 pence (HY17: 7.0 pence) a rate similar to the increase in profit before tax.

### Balance sheet

Non-current assets totalled £6.6 million (28 February 2017: £6.7 million). These are mainly capitalised research and development costs and during the period, capitalised R&D costs were similar to the amortisation.

Stock as at 28 February 2018 was £10.9 million (28 February 2017: £10.1 million). This 7% increase compares well with the 21% increase in revenue, signalling the positive efforts to manage stock carefully whilst ensuring that the business has the ability to satisfy customer demand.

Debtors totalled £10.9 million (28 February 2017: £10.2 million). The Group has an effective credit control process including credit limits and a potential refusal to supply if the customer has overdue debts. At 28 February 2018 the debtors balance represented 49 days' sales (28 February 2017: 51 days).

Trade and other payables increased to £9.1 million (28 February 2017: £6.4 million). This was due to the increased stock purchases close to the period end.

### Cash flow

The conversion of profit to cash has been strong with free cash flow up 49.7% to £6.4 million (HY17: £4.3 million). In part, this was assisted by control over the working capital. Normally, it would be reasonable to assume an increase in working capital of about 20% of the increase in revenue driven by higher debtors and a higher value of stock to service that demand. In this period, the movement in working capital has been an inflow (decrease) of £1.0 million (HY17: £nil), due to a reduction in debtors since the prior year end.

Overall, cash flow from operating activities was 105% (HY17: 101%) of EBITDA and free cash flow was 16% of revenue (HY17: 13%). Both of these measures have been strong; however, it should be noted that the average of free cash flow as a percentage of revenue since the IPO has been approximately 7%.

As a result of this cash generation, cash balances grew from £14.2 million in August 2017 to £19.7 million as at 28 February 2018. It is intended that this will fund the Group's entry into related market segments, which is a key element of the Group's growth strategy.

### Dividend

At the last year end, the Group announced that it would move towards an ongoing dividend cover of 4-5x. Therefore, as a step towards that, the interim dividend is raised by 33.3% from 0.75 pence to 1.0 pence per share.

### Outlook and current trading

The first half benefited from an especially strong Christmas holiday season. Since the half year end, revenue and cash have continued to grow although, as expected, at a slower rate than in the first half. We remain confident about the outlook for the rest of the year and beyond: future product plans are taking shape, the geographic expansion continues and the strategy developments are bearing fruit.

**Tim Carroll**  
Chief Executive Officer

**Jeremy Wilson**  
Chief Financial Officer

## Condensed Consolidated Income Statement

For the six months ended 28 February 2018

|   | Note | Six months to<br>28 February<br>2018<br>(unaudited)<br>£'000 | Six months to<br>28 February<br>2017<br>(unaudited)<br>£'000 | Year to<br>31 August<br>2017<br>(audited)<br>£'000 |
|---|------|--|--|--|
| <b>Revenue</b>  | 2    | <b>38,819</b>  | 32,020   | 66,055   |
| Cost of sales   |      | <b>(22,619)</b>  | (19,165)   | (39,704)   |
| <b>Gross profit</b>   |      | <b>16,200</b>  | 12,855   | 26,351   |
| Administrative expenses                                     |      | <b>(9,970)</b>   | (8,284)  | (16,881)   |
| <b>EBITDA (non-GAAP measure)</b>                            |      | <b>7,969</b>   | 6,131  | 13,109   |
| Depreciation and amortisation                               |      | <b>(1,739)</b>   | (1,560)  | (3,639)  |
| <b>Operating profit</b>                                     |      | <b>6,230</b>   | 4,571  | 9,470  |
| Finance income  |      | <b>1</b>   | 52   | 86   |
| Finance costs   |      | <b>(398)</b>   | (24)   | (44)   |
| <b>Profit before tax</b>                                    |      | <b>5,833</b>   | 4,599  | 9,512  |
| Income tax expense  | 4    | <b>(709)</b>   | (552)  | (959)  |
| <b>Profit for the period from<br/>continuing operations</b> |      | <b>5,124</b>   | 4,047  | 8,553  |
| <b>Earnings per share</b>                                   |      |  |  |  |
| From continuing operations                                  |      |  |  |  |
| Basic (pence per share)                                     | 6    | <b>9.0</b>   | 7.3  | 15.4   |
| Diluted (pence per share)                                   | 6    | <b>8.9</b>   | 7.0  | 14.8   |

## Condensed Consolidated Statement of Other Comprehensive Income

For the six months ended 28 February 2018

|   | Six months to<br>28 February<br>2018<br>(unaudited)<br>£'000 | Six months to<br>28 February<br>2017<br>(unaudited)<br>£'000 | Year to<br>31 August<br>2017<br>(audited)<br>£'000 |
|---|--|--|--|
| <b>Profit for the period</b>  | <b>5,124</b>   | 4,047  | 8,553  |
| <i>Items that may be reclassified subsequently<br/>to the income statement</i>                        |  |  |  |
| Exchange differences on translation of foreign<br>operations  | <b>(30)</b>  | 29   | (8)  |
| Gain/(loss) on forward foreign exchange contracts<br>designated and effective as a hedging instrument | <b>743</b>   | 700  | 659  |
| Tax on hedging instrument   | <b>(144)</b>   | (142)  | (134)  |
| <b>Total comprehensive income for the period</b>  | <b>5,693</b>   | 4,634  | 9,070  |
| <b>Profit attributable to:</b>  |  |  |  |
| Equity holders of the Company   | <b>5,693</b>   | 4,634  | 9,070  |
|   | <b>5,693</b>   | 4,634  | 9,070  |

## Condensed Consolidated Statement of Financial Position

|   | 28 February<br>2018<br>(unaudited)<br>£'000 | 28 February<br>2017<br>(unaudited)<br>£'000 | 31 August<br>2017<br>(audited)<br>£'000 |
|---|---|---|---|
| Note  |   |   |   |
| <b>Assets</b>                                       |   |   |   |
| <b>Non-current assets</b>                           |   |   |   |
| Goodwill  | 419   | 419   | 419                                     |
| Other intangible assets                             | 4,818                                       | 4,823                                       | 4,544                                   |
| Property, plant and equipment                       | 1,369                                       | 1,502                                       | 1,369                                   |
| <b>Total non-current assets</b>                     | 3   | 6,744                                       | 6,332                                   |
| <b>Current assets</b>                               |   |   |   |
| Inventories   | 10,894                                      | 10,145                                      | 8,334                                   |
| Trade and other receivables                         | 10,811                                      | 10,234                                      | 12,952                                  |
| Derivative financial instruments                    | 7   | –   | –                                       |
| Cash and cash equivalents                           | 7   | 19,734                                      | 9,391                                   |
| <b>Total current assets</b>                         | 41,697                                      | 29,770                                      | 35,460                                  |
| <b>Total assets</b>                                 | 48,303                                      | 36,514                                      | 41,792                                  |
| <b>Equity and liabilities</b>                       |   |   |   |
| <b>Capital and reserves</b>                         |   |   |   |
| Share capital                                       | 58  | 58  | 58                                      |
| Share premium                                       | 114   | –   | –                                       |
| Merger reserve                                      | 14,595                                      | 14,595                                      | 14,595                                  |
| Merger difference reserve                           | (13,147)                                    | (13,147)                                    | (13,147)                                |
| Translation reserve                                 | 1   | 68  | 31                                      |
| Hedging reserve                                     | 210   | (356)                                       | (389)                                   |
| Treasury reserve                                    | (2)   | (3)   | (3)                                     |
| Retained earnings                                   | 36,451                                      | 27,428                                      | 31,739                                  |
| <b>Equity attributable to owners of the Company</b> | 38,280                                      | 28,643                                      | 32,884                                  |
| <b>Total equity</b>                                 | 38,280                                      | 28,643                                      | 32,884                                  |
| <b>Current liabilities</b>                          |   |   |   |
| Trade and other payables                            | 9,126                                       | 6,390                                       | 7,720                                   |
| Current tax liabilities                             | 257   | 523   | 459                                     |
| Derivative financial instruments                    | 7   | –   | 443                                     |
| <b>Total current liabilities</b>                    | 9,383                                       | 7,356                                       | 8,663                                   |
| <b>Non-current liabilities</b>                      |   |   |   |
| Deferred tax  | 640   | 515   | 245                                     |
| <b>Total liabilities</b>                            | 10,023                                      | 7,871                                       | 8,908                                   |
| <b>Total equity and liabilities</b>                 | 48,303                                      | 36,514                                      | 41,792                                  |

## Condensed Consolidated Statements of Changes in Equity

For the six months ended 28 February 2018

|   | Share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Merger<br>reserve<br>£'000 | Merger<br>difference<br>reserve<br>£'000 | Translation<br>reserve<br>£'000 | Hedging<br>reserve<br>£'000 | Treasury<br>share<br>reserve <sup>1</sup><br>£'000 | Retained<br>earnings <sup>2</sup><br>£'000 | Total<br>£'000 |
|---|---------------------------|---------------------------|----------------------------|--|---------------------------------|-----------------------------|--|--|----------------|
| Balance at<br>1 September 2017  | 58                        | –                         | 14,595                     | (13,147)                                 | 31                              | (389)                       | (3)  | 31,739                                     | 32,884         |
| <b>Profit for the period</b>  | –                         | –                         | –                          | –  | –                               | –                           | –  | 5,124                                      | 5,124          |
| <b>Other comprehensive income for the period</b>                                    | –                         | –                         | –                          | –  | (30)                            | 599                         | –  | –  | 569            |
| <b>Total comprehensive income for the period</b>                                    | –                         | –                         | –                          | –  | (30)                            | 599                         | –  | 5,124                                      | 5,693          |
| <b>Transactions with owners of the Company:</b>                                     |                           |                           |                            |  |                                 |                             |  |  |                |
| <b>Share-based payment deferred tax deduction in excess of remuneration expense</b> | –                         | –                         | –                          | –  | –                               | –                           | –  | (254)                                      | (254)          |
| <b>Share-based payment current tax deduction in excess of remuneration expense</b>  | –                         | –                         | –                          | –  | –                               | –                           | –  | 661  | 661            |
| <b>Shares from EBT exercised</b>  | –                         | –                         | –                          | –  | –                               | –                           | 1  | 188  | 189            |
| <b>New shares issued</b>  | –                         | 114                       | –                          | –  | –                               | –                           | –  | –  | 114            |
| <b>Share-based payments</b>   | –                         | –                         | –                          | –  | –                               | –                           | –  | 103  | 103            |
| <b>Dividends paid</b>   | –                         | –                         | –                          | –  | –                               | –                           | –  | (1,110)                                    | (1,110)        |
| <b>Balance at 28 February 2018</b>  | 58                        | 114                       | 14,595                     | (13,147)                                 | 1                               | 210                         | (2)  | 36,451                                     | 38,280         |

1 The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the Group. At 28 February 2018, the Employee Benefit Trust held 1,188,025 of the Company's shares (six months ended 28 February 2017: 2,586,845).

2 Of the retained earnings totalling £36,451,000, £615,000 (28 February 2017: £421,000) relates to the gain on exercise of share options from the EBT and is therefore non-distributable.

## Condensed Consolidated Statements of Changes in Equity

continued  
For the six months ended 28 February 2017

|  | Share capital<br>£'000 | Merger reserve<br>£'000 | Merger difference reserve<br>£'000 | Translation reserve<br>£'000 | Hedging reserve<br>£'000 | Treasury share reserve<br>£'000 | Retained earnings<br>£'000 | Total<br>£'000 |
|--|------------------------|-------------------------|------------------------------------|------------------------------|--------------------------|---------------------------------|----------------------------|----------------|
| Balance at 1 September 2016  | 58                     | 14,595                  | (13,147)                           | 39                           | (914)                    | (5)                             | 23,251                     | 23,877         |
| Profit for the period  | -                      | -                       | -                                  | -                            | -                        | -                               | 4,047                      | 4,047          |
| Other comprehensive income for the period                                    | -                      | -                       | -                                  | 29                           | 558                      | -                               | -                          | 587            |
| Total comprehensive income for the period                                    | -                      | -                       | -                                  | 29                           | 558                      | -                               | 4,047                      | 4,634          |
| Transactions with owners of the Company:                                     |                        |                         |                                    |                              |                          |                                 |                            |                |
| Share-based payment deferred tax deduction in excess of remuneration expense | -                      | -                       | -                                  | -                            | -                        | -                               | (30)                       | (30)           |
| Share-based payment current tax deduction in excess of remuneration expense  | -                      | -                       | -                                  | -                            | -                        | -                               | 556                        | 556            |
| Shares from EBT exercised  | -                      | -                       | -                                  | -                            | -                        | 2                               | 250                        | 252            |
| Share-based payments   | -                      | -                       | -                                  | -                            | -                        | -                               | 75                         | 75             |
| Dividends paid   | -                      | -                       | -                                  | -                            | -                        | -                               | (721)                      | (721)          |
| Balance at 28 February 2017  | 58                     | 14,595                  | (13,147)                           | 68                           | (356)                    | (3)                             | 27,428                     | 28,643         |

For the year ended 31 August 2017

|  | Share capital<br>£'000 | Merger reserve<br>£'000 | Merger difference reserve<br>£'000 | Translation reserve<br>£'000 | Hedging reserve<br>£'000 | Treasury share reserve<br>£'000 | Retained earnings<br>£'000 | Total<br>£'000 |
|--|------------------------|-------------------------|------------------------------------|------------------------------|--------------------------|---------------------------------|----------------------------|----------------|
| Balance at 1 September 2016  | 58                     | 14,595                  | (13,147)                           | 39                           | (914)                    | (5)                             | 23,251                     | 23,877         |
| Profit for the period  | -                      | -                       | -                                  | -                            | -                        | -                               | 8,553                      | 8,553          |
| Other comprehensive income for the period                                    | -                      | -                       | -                                  | (8)                          | 525                      | -                               | -                          | 517            |
| Total comprehensive income for the period                                    | -                      | -                       | -                                  | (8)                          | 525                      | -                               | 8,553                      | 9,070          |
| Transactions with owners of the Company:                                     |                        |                         |                                    |                              |                          |                                 |                            |                |
| Share-based payment deferred tax deduction in excess of remuneration expense | -                      | -                       | -                                  | -                            | -                        | -                               | 114                        | 114            |
| Share-based payment current tax deduction in excess of remuneration expense  | -                      | -                       | -                                  | -                            | -                        | -                               | 558                        | 558            |
| Shares from EBT exercised  | -                      | -                       | -                                  | -                            | -                        | 2                               | 256                        | 258            |
| Share-based payments   | -                      | -                       | -                                  | -                            | -                        | -                               | 145                        | 145            |
| Dividends paid   | -                      | -                       | -                                  | -                            | -                        | -                               | (1,138)                    | (1,138)        |
| Balance at 31 August 2017  | 58                     | 14,595                  | (13,147)                           | 31                           | (389)                    | (3)                             | 31,739                     | 32,884         |

## Consolidated Statement of Cash Flow

For the six months ended 28 February 2018

|  | Six months to<br>28 February<br>2018<br>£'000 | Six months to<br>28 February<br>2017<br>£'000 | Year to<br>31 August<br>2017<br>£'000 |
|--|---|---|---------------------------------------|
| <b>Cash flows from operating activities</b>                    |   |   |                                       |
| <b>Profit for the period</b>                                   | <b>5,124</b>                                  | 4,047   | 8,553                                 |
| Adjustments for:   |   |   |                                       |
| Income tax expense   | <b>709</b>                                    | 552   | 959                                   |
| Net finance charge/(income)                                    | <b>397</b>                                    | (28)  | (42)                                  |
| Loss/(profit) on disposal of property, plant and equipment     | <b>-</b>                                      | 8   | (8)                                   |
| Amortisation of intangibles                                    | <b>1,399</b>                                  | 1,198   | 2,950                                 |
| Depreciation of property, plant and equipment                  | <b>340</b>                                    | 362   | 689                                   |
| Share-based payment charge                                     | <b>103</b>                                    | 75  | 145                                   |
| <b>Operating cash flow before movements in working capital</b> | <b>8,072</b>                                  | 6,214   | 13,246                                |
| Decrease/(increase) in trade and other receivables             | <b>2,141</b>                                  | 990   | (1,728)                               |
| (Increase)/decrease in inventories                             | <b>(2,560)</b>                                | 1,216   | 3,027                                 |
| Increase/(decrease) in trade and other payables                | <b>1,406</b>                                  | (2,222)                                       | (892)                                 |
| <b>Operating cash flow before interest and tax paid</b>        | <b>9,059</b>                                  | 6,198   | 13,653                                |
| Net interest paid  | <b>(29)</b>                                   | (22)  | (42)                                  |
| Income tax paid  | <b>(253)</b>                                  | (56)  | (633)                                 |
| <b>Cash generated by operations</b>                            | <b>8,777</b>                                  | 6,120   | 12,978                                |
| Net foreign exchange movement                                  | <b>(397)</b>                                  | 78  | 84                                    |
| <b>Net cash inflow from operating activities</b>               | <b>8,380</b>                                  | 6,198   | 13,062                                |
| <b>Cash flows from investing activities</b>                    |   |   |                                       |
| Purchases of property, plant and equipment                     | <b>(340)</b>                                  | (299)   | (493)                                 |
| Development of intangible assets                               | <b>(1,673)</b>                                | (1,645)                                       | (3,121)                               |
| <b>Net cash used in investing activities</b>                   | <b>(2,013)</b>                                | (1,944)                                       | (3,614)                               |
| <b>Cash flows from financing activities</b>                    |   |   |                                       |
| Issue of equity shares   | <b>303</b>                                    | 252   | 258                                   |
| Equity dividends paid  | <b>(1,110)</b>                                | (721)   | (1,138)                               |
| <b>Net cash used in financing activities</b>                   | <b>(807)</b>                                  | (469)   | (880)                                 |
| <b>Net increase in cash and cash equivalents</b>               | <b>5,560</b>                                  | 3,785   | 8,568                                 |
| <b>Cash and cash equivalents at beginning of the period</b>    | <b>14,174</b>                                 | 5,606   | 5,606                                 |
| <b>Cash and cash equivalents at end of the period</b>          | <b>19,734</b>                                 | 9,391   | 14,174                                |

## Notes to the Condensed Consolidated Interim Financial Statements

### 1. Basis of preparation and significant accounting policies

Focusrite Plc (the 'Company') is a company incorporated in the UK. The condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 28 February 2018 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 interim financial statements are for the six months ended 28 February 2018 and are presented in pounds Sterling ('GBP'). This is the functional currency of the Group. The statement is presented to the nearest £1,000 ("£'000"). 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 2017.

These interim financial statements were authorised for issue by the Company's Board of Directors on 24 April 2018.

#### Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's financial statements for the year ended 31 August 2017.

##### 1.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and subsidiaries controlled by the Company drawn up to 28 February 2018.

##### 1.2 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.

##### 1.3 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. Basis of preparation and significant accounting policies continued

#### 1.4 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 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.

#### 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 Group's financial statements for the year ended 31 August 2017.

#### 1.6 Foreign currencies

The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which it operates (its functional currency). Sterling is the predominant functional currency of the Group and presentation currency for the consolidated financial information.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on transactions entered into to hedge certain foreign currency risks.
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial information, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising, if any, are recognised in the income statement.

## Notes to the Condensed Consolidated Interim Financial Statements continued

### 1. Basis of preparation and significant accounting policies continued

#### 1.7 Hedge accounting

For the year ended 31 August 2016 and subsequent years, the Group has adopted hedge accounting for qualifying transactions. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities of firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

#### Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

For cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

### 2. Revenue

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

|                                | Six months to<br>28 February<br>2018<br>(unaudited)<br>£'000 | Six months to<br>28 February<br>2017<br>(unaudited)<br>£'000 | Year to<br>31 August<br>2017<br>(audited)<br>£'000 |
|--------------------------------|--|--|--|
| <b>Continuing operations</b>   |  |  |  |
| USA                            | 16,123   | 13,246   | 27,990   |
| Europe, Middle East and Africa | 15,997   | 12,958   | 25,153   |
| Rest of World                  | 6,699  | 5,816  | 12,912   |
| <b>Consolidated revenue</b>    | <b>38,819</b>  | 32,020   | 66,055   |

### 3. Operating segments

#### Products and services from which reportable segments derive their revenues

Information reported to the Group's Chief Executive Officer (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 and Focusrite Pro branded products   |
| Novation     | – | Sales of Novation and Ampify branded products   |
| Distribution | – | Distribution of third party brands, including KRK speakers, Stanton, Cerwin Vega, Cakewalk and sE Electronics |

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

|  | Six months to<br>28 February<br>2018<br>(unaudited)<br>£'000 | Six months to<br>28 February<br>2017<br>(unaudited)<br>£'000 | Year to<br>31 August<br>2017<br>(audited)<br>£'000 |
|--|--|--|--|
| <b>Revenue from external customers</b>                 |  |  |  |
| Focusrite  | 25,693   | 20,856   | 44,552   |
| Novation   | 11,419   | 9,604  | 18,862   |
| Distribution   | 1,707  | 1,560  | 2,641  |
| <b>Total</b>   | <b>38,819</b>  | 32,020   | 66,055   |
| <b>Segment profit</b>                                  |  |  |  |
| Focusrite  | 12,503   | 9,873  | 20,221   |
| Novation   | 6,000  | 4,773  | 9,198  |
| Distribution   | 481  | 434  | 711  |
|  | <b>18,984</b>  | 15,080   | 30,130   |
| Central distribution costs and administrative expenses | (12,754)   | (10,509)   | (20,660)   |
| Operating profit                                       | 6,230  | 4,571  | 9,470  |
| Finance income   | 1  | 52   | 86   |
| Finance costs  | (398)  | (24)   | (44)   |
| Profit before tax                                      | 5,833  | 4,599  | 9,512  |
| Tax  | (709)  | (552)  | (959)  |
| Profit after tax                                       | 5,124  | 4,047  | 8,553  |

## Notes to the Condensed Consolidated Interim Financial Statements continued

### 3. Operating segments continued

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 Officer 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 £103,000 for the six-month period to 28 February 2018 (six months to 28 February 2017: £75,000; year to 31 August 2017: £145,000).

### 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 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:

|                                 | <b>28 February<br/>2018<br/>(unaudited)<br/>£'000</b> | 28 February<br>2017<br>(unaudited)<br>£'000 | 31 August<br>2017<br>(audited)<br>£'000 |
|---------------------------------|---|---|---|
| <b>Non-current assets</b>       |   |   |   |
| USA                             | <b>99</b>   | 59  | 52                                      |
| Europe, Middle East and Africa  | <b>5,865</b>  | 5,998                                       | 5,676                                   |
| Rest of World                   | <b>642</b>  | 687   | 604                                     |
| <b>Total non-current assets</b> | <b>6,606</b>  | 6,744                                       | 6,332                                   |

### 4. Taxation

The tax charge for the six months to 28 February 2018 is based on the estimated tax rate for the full year in each jurisdiction.

### 5. Dividends

The following equity dividends have been declared:

|  | <b>Six months to<br/>28 February<br/>2018<br/>(unaudited)</b> | Six months to<br>28 February<br>2017<br>(unaudited) | Year to<br>31 August<br>2017<br>(audited) |
|--|---|---|---|
| Dividend per qualifying ordinary share | <b>1.00p</b>  | 0.75p   | 2.70p                                     |

During the period, the Company paid a final dividend in respect of the year ended 31 August 2017 of 1.95 pence per share, amounting to £1,110,000.

### 6. Earnings per share

#### Reported earnings per share

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

|  | <b>Six months to<br/>28 February<br/>2018<br/>(unaudited)<br/>£'000</b> | Six months to<br>28 February<br>2017<br>(unaudited)<br>£'000 | Year to<br>31 August<br>2017<br>(audited)<br>£'000 |
|--|---|--|--|
| <b>Earnings</b>  |   |  |  |
| Earnings for the purposes of basic and diluted earnings per share being net profit for the period      | <b>5,124</b>  | 4,047  | 8,553  |
|  |   |  |  |
|  | <b>Six months to<br/>28 February<br/>2018<br/>number<br/>'000</b>       | Six months to<br>28 February<br>2017<br>number<br>'000       | Year to<br>31 August<br>2017<br>number<br>'000     |
| <b>Number of shares</b>  |   |  |  |
| Weighted average number of ordinary shares for the purposes of basic earnings per share calculation    | <b>56,690</b>   | 55,298   | 55,432   |
| Effect of dilutive potential ordinary shares: EMI share option scheme and unapproved share option plan | <b>1,151</b>  | 2,356  | 2,357  |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share calculation  | <b>57,841</b>   | 57,654   | 57,789   |
|  |   |  |  |
| <b>Earnings per share</b>  | <b>Pence</b>  | Pence  | Pence  |
| Basic earnings per share   | <b>9.0</b>  | 7.3  | 15.4   |
| Diluted earnings per share   | <b>8.9</b>  | 7.0  | 14.8   |

At 28 February 2018, the total number of ordinary shares issued and fully paid was 58,111,639. This included 1,188,025 shares held by the Employee Benefit Trust ('EBT') 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 weighted average number of shares in issue (58,094,838) less the weighted average number of shares held by the Employee Benefit Trust (1,405,082). 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.

## Notes to the Condensed Consolidated Interim Financial Statements continued

### 7. 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.

IFRS 13 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.

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 using a Level 2 valuation method.

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

|  | <b>28 February<br/>2018<br/>(unaudited)<br/>£'000</b> | 28 February<br>2017<br>(unaudited)<br>£'000 | 31 August<br>2017<br>(audited)<br>£'000 |
|--|---|---|---|
| <b>Financial assets</b>  |   |   |   |
| <b>Amortised cost</b>  |   |   |   |
| Cash and cash equivalents  | <b>19,734</b>   | 9,391                                       | 14,174                                  |
| Trade and other receivables  | <b>10,243</b>   | 9,211                                       | 11,203                                  |
| <b>Designated cash flow hedge relationships</b>  |   |   |   |
| Derivative financial assets designated and effective as cash flow hedging instruments      | <b>258</b>  | –   | –                                       |
|  | <b>30,235</b>   | 18,602                                      | 25,377                                  |
| <b>Financial liabilities</b>   |   |   |   |
| <b>Designated cash flow hedge relationships</b>  |   |   |   |
| Derivative financial liabilities designated and effective as cash flow hedging instruments | –   | 443   | 484                                     |
| <b>Amortised cost</b>  |   |   |   |
| Trade and other payables   | <b>8,861</b>  | 3,468                                       | 4,042                                   |
|  | <b>8,861</b>  | 3,911                                       | 4,526                                   |

## Independent Review Report to Focusrite Plc

### Conclusion

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 2018 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of 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.

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 2018 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and the AIM Rules.

### 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. We read the other information contained in the half-yearly report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

### 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 directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report 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.

## Independent review report to Focusrite Plc continued

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

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.

### Peter Meehan

for and on behalf of KPMG LLP  
Chartered Accountants  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

24 April 2018

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