musicMagpie

Smart for you
Smart for the planet

Annual Report and Accounts 2022

Who we are

musicMagpie is a leader in the circular economy of consumer technology, disc media and books in the UK and US. We are driving growth in the rental of refurbished consumer technology devices – the Rental Revolution!

What we do

We buy unwanted items from consumers for an agreed price, paying the same day we receive them.

We recondition them and sell or rent back to consumers, giving the products a 'second life'.

Smart for you. Smart for the planet.

Founded in 2007, the business bought and sold pre-owned CDs (hence our name). Over time we have successfully evolved to become the UK's leading mobile phone recycler with consumer technology now our dominant product category and renting of refurbished devices our biggest growth area.

Contents

Highlights

Buy More | Sell More | Rent More

Active Subscribers	Gross Profit	Rental Income	Adjusted EBITDA*	Forward contracted rental income
30,500	**£38.1m**	**£5.3m**	**£6.5m**	**£3.1m**

* Alternative performance measure, see note 29 of financial statements.

Operational

- Active subscribers to device rental service increased to 30,500 (2021: 13,500) and 36,000 at 28 February 2023
- Rental book provides recurring revenues, with year-end active renters providing c£3.1m of committed revenue into FY23
- 24 month rental contracts launched post year end
- Magpie Circular offering extended in October 2022 with the launch of corporate renting and Stagecoach as its first customer
- SMARTDrop kiosk programme completed with kiosks installed across c290 Asda stores in the UK and over £10m paid out to date, with plans to install in other high footfall areas during 2023
- 24 month rental contracts launched post year end
- The Group closed its FY22 financial year with a record Black Friday week
- Expanded third-party platforms to four with Back Market added in May 2022 and Walmart post year end (adding to long-standing relationships with Amazon and eBay)

Financial

- Consumer Technology revenue up 12.2% to £96.6m (2021: £86.1m), representing 66% of Group revenue
- Gross margin of 26.3% (2021: 30.4%) with consistency across H1 and H2
- Net cash from operations £6.2m (2021: £2.6m), cash generative before investing activities
- Committed three-year £30m revolving credit facility with HSBC UK and NatWest entered in July 2022 to help drive future Rental growth
- Net Debt of £7.9m (2021: £1.8m cash) following investment in rental assets

At a glance

A sustainable way to buy, sell and rent.

Our vision is...

To lead the circular economy revolution by giving customers a smart, sustainable and trusted way to buy, sell and rent tech, disc media and books.

» Read more on page **06**

Two trusted brands

We operate through two trusted brands on either side of the Atlantic.

musicMagpie

The Group's UK business operates from two sites in North West England (Hazel Grove and Macclesfield).

170,000+
square feet of processing and distribution centres based from two sites

decluttr

The Group's US business operates from Atlanta, Georgia.

60,000+
square feet of processing and distribution centres in Atlanta, Georgia

Two product segments

We buy, sell and rent products across two main segments.

Consumer technology

- Smartphones, consoles, tablets, wearables and personal computers.

Disc media and books

- CDs, DVDs, Blu-rays and video games.
- Hardback and paperback books.

A proprietary technology platform

Our technology platform offers a competitive advantage and a high barrier to entry. Built in house and highly customised it is both scalable and flexible.

ALIVE

Customers can sell items to us via our website, our smartphone app or a self-service kiosk. The offer price is generated by our proprietary purchasing algorithm (known as 'ALIVE').

WARP

Our proprietary sales algorithm ('WARP') enables us to maintain dynamic and competitive pricing whilst ensuring effective order management and margin optimisation.

WMS

Our Warehouse Management System ('WMS') has custom built Application Programming Interfaces ('APIs') allowing software to communicate across goods in and out, product sorting, stock and order management for all product categories.

Investment case

Why invest?

9m
customer registrations worldwide

2.2m
visitor sessions per month

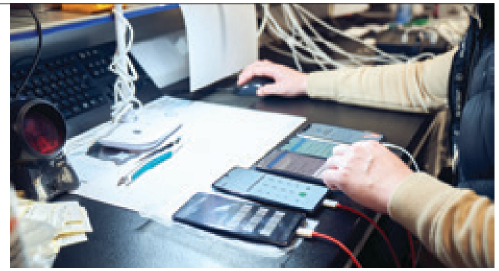
1m
mobile app downloads

£387m
paid out to customers

A trusted proposition powered by proprietary technology

Our market leading trust credentials combined with our investment in proprietary technology creates significant barriers to entry.

» Read more on page **02**



ESG and sustainability at the heart of what we do

Our sustainable model tackles the environmental issues caused by waste.

» Read more on page **18**

Favourable market dynamics

Consumer awareness and increasing acceptance of circular and subscription economies, combined with market tailwinds in the pre-owned smartphone sector underpin our growth plans.

» Read more on page **08**

The Rental Revolution

Our innovative rental solution is a market disruptor capable of creating sustainable revenue streams and enhanced EBITDA.

» Read more on page **15**

Founder-led management team with successful and experienced Board

A perfect blend of long-standing senior management supported by a strong Board containing non-executives with significant and successful plc experience.

» Read more on page **29**

Chair's statement

We see the rental offering, notably of recycled mobile phones, as a key feature of the business and its future.

Martin Hellawell
Non-Executive Chair

Chair's statement continued

Introduction

As it has been for many consumer-facing businesses, this has been a hugely challenging year for musicMagpie. The rapidly changing macroeconomic environment has created a number of headwinds and issues, and the business has had to adapt, innovate and take some difficult decisions in order to mitigate them as effectively as possible.

The future of the business is very much focused on our primary activity of the sale and rental of primarily refurbished consumer electronics, notably mobile phones and tablets. Sales in this segment were robust but margins were challenged when comparing year on year, with an increasing share of our business relying on third-party sites rather than traffic through our own musicMagpie site as well as increased competition. Furthermore, as we came out of the Covid-19 period, our traditional media and book business declined faster than expected. However, following a number of cost reduction exercises, the successful roll-out of the kiosks in 290 Asda stores in the UK and the implementation of a range of our own marketing initiatives, we were pleased to achieve a consistent and sustainable level of margin across the year.

We see the rental offering, notably of recycled mobile phones, as a key feature of the business and its future. Rentals continued to progress well throughout the year and are continuing to expand. We believe the rental offering will be significantly more profitable for the Company during the lifetime of a device, but inevitably it reduces revenue in the short term as customers choose to rent rather than buy. We were delighted to enter a new committed £30m revolving credit facility during July 2022 with the primary aim of continuing to grow the rental business.

The Board

We started the financial year with a plc Board consisting of Steve Oliver as CEO, Alison Littley as Senior Independent Director and Chair of the Remuneration Committee, Dave Wilson as Non-Executive Director and Chair of the Audit Committee and me as Non-Executive Chair. In the last Annual Report we signposted the imminent arrival of Matthew Fowler as CFO. Matthew joined in April 2022 and has been an excellent addition to the team. His arrival has allowed Ian Storey to fully assume his new role as COO, in which he is excelling. There have been no other changes to the Board in this period.

A strong Board dynamic has been established throughout what has been a challenging period. This has been aided by face to face Board meetings and very regular interaction between the Non-Executives and the executives in the time between Board meetings. We have conducted our second formal Board evaluation and we will continue to build on the positive work already done to ensure the Board supports the business and represents our shareholders to the very best of our ability.

Sustainability, community, diversity and employee welfare

Sustainability is at the very core of musicMagpie's activities, both in terms of what we do and how we do it, and is something we care passionately about. We are aligning with best practice disclosure, reporting and respected initiatives in this area.

I continue to be impressed by the Company's active role in the wider community. Within the limits of its financial constraints, it is committed to helping those in need through a large variety of charitable and volunteering activities. There is a fantastic level of colleague participation, and the Board is fully behind such initiatives.

The promotion of diversity in the many senses of the word was enshrined in the Company's culture long before the arrival of the plc Board. We will continue to encourage further initiatives and progress in this area.

In terms of colleague welfare, this is a business that understands the importance of its colleagues, and doing the right thing by colleagues is part of musicMagpie's core beliefs. Led by the CEO, communications have been regular and transparent, notably with the return of the in-person colleague forum. I have been heartened and impressed by the understanding, loyalty and strong motivation of our colleagues. I have been equally impressed by the Board's desire to do what it can for colleagues despite the constraints, notably for those least privileged in the workforce.

Thank you

I would like to take this opportunity to thank our colleagues for their excellent work and camaraderie, to thank our customers for using us and for their feedback and trust, and to thank our new and existing shareholders for their ongoing support.

The business is not yet where we want it to be, and we should not expect an overnight recovery given the wider economic uncertainty. However, we are absolutely determined to build positively from here and the fundamentals of this business are still there. Consumers are increasingly concerned about the environmental impact of buying new consumer electronics and more than ever an increasing section of the population is financially squeezed and unable to buy the latest new tech products. This will continue to fuel the consumer electronics 'second use' market and, in the UK in particular, nobody has greater expertise of that market or a stronger position within it than musicMagpie. For these reasons we remain confident in the Company's long-term future prospects.

Martin Hellawell
Chair
7 March 2023

Our business model

We aim to build trust with consumers by treating them fairly and being efficient and transparent in our dealings. This creates customer loyalty and leads to repeat business while equally helping to build better retention rates in our rental business.

Our resources and what makes us different

Proprietary technology

Our technology platform offers a competitive advantage and a high barrier to entry. Built in house and highly customised it is both scalable and flexible.

» Read more on page **02**

Trusted brands

musicMagpie

The Group's UK business operates from over 170,000 square feet of processing and distribution centres based from two sites in North West England (Hazel Grove and Macclesfield).

decluttr

The Group's US business operates from over 60,000 square feet of processing and distribution centres in Atlanta, Georgia.

Managed inventory

We buy both used products that we sell to consumers and new products that we rent out to businesses and consumers. Our Warehouse Management System has custom built Application Programming Interfaces ('APIs') allowing software to communicate across goods in and out, product sorting, stock and order management across all product categories.

How we create value

By extending the lifespan of products and ensuring they are in use for as long as possible we are able to support in the transition to a more circular economy.

With renting we are able to multiply the returns we get from a device over time by reducing acquisition costs and building recurring revenues.

» See our recommerce proposition on page **07**

Selling

We have a number of routes to market that allow us to select the best outlets for the stock we have to offer. Whilst our preference is likely to be our own musicMagpie store, we remain platform agnostic across a range of third-party platform channels.

252,000+
customer reviews on Trustpilot with an overall rating of 4.4

99.4%
positive feedback score on eBay UK

World's #1
seller on eBay and Amazon based on highest number of seller reviews (over 10m globally on each)

9m
customer registrations worldwide

Renting

Consumers are provided with lower upfront cash costs and more flexible ownership structures and, in return, we can build a niche offering that boosts our financial performance.

- Recurring revenue and cash flow stream underpins future earnings
- Builds regular interaction and deeper relationship with our customers
- Guaranteed return of device, reducing e-waste and contributing to future inventory
- Greater expected revenue and profit per unit versus outright sale

30,500+
active subscriptions

£5.3m
of revenue in FY2022

£20 (inc VAT)
average monthly rental

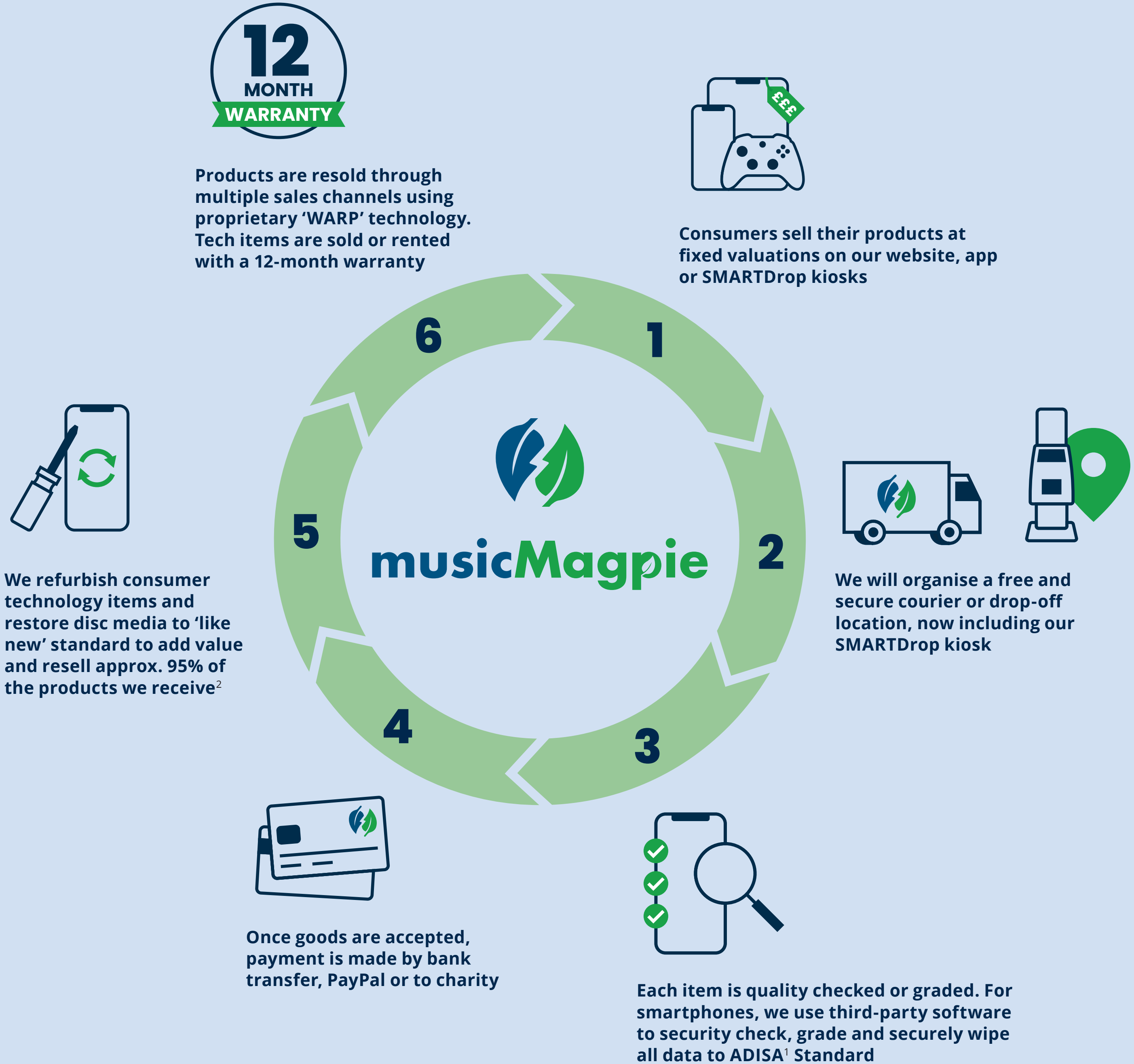
c£3.1m
forward contracted revenue stream at 30 November 2022

Our business model continued

Our circular economy proposition.

The circular economy has an important role to play in the transition to a sustainable economy.

By extending the lifespan of products and ensuring they are in use for as long as possible, we are able to support in the transition to a more circular economy.



1. Asset Disposal and Information Security Alliance.
2. We resell approximately 95% of the products we receive. For the small amount of items we cannot resell, we will reuse their parts to refurbish other items, responsibly recycling any other items.

Chief Executive Officer's review

A clear strategic plan: buy more, sell more, rent more.

Steve Oliver
Chief Executive Officer

Chief Executive Officer's review continued

Since musicMagpie was first founded in my garage in Stockport in 2007, we have focused relentlessly on leading the circular economy and providing a fast, trusted and sustainable service that is 'here to help'. That philosophy is more important today than it has ever been before.

heretoHelp

- Here to help bring the circular economy to everyone.
- Here to help educate consumers on reducing waste.
- Here to help positive environmental behaviour.
- Here to help consumers raise cash easily in a fast, trusted and convenient environment.
- Here to help consumers save money by buying refurbished tech with absolute confidence and trust.
- Here to help consumers with a disruptive, flexible monthly subscription on refurbished tech product.
- Here to help contribute to the community.
- Here to help make a difference.

We achieve this by executing our simple three-pillared strategic approach to driving growth in our business and further consolidate our position as market leader in the circular economy of technology and media products:

Buy More → **Sell More** → **Rent More**

1. 'Buy more':

Our model requires a steady flow of high-quality products entering our ecosystem through various entry points for consumers and corporates. The ability to buy underpins our future profitability. Our strategy is focused on making it even easier for consumers and, increasingly, corporates to recycle their old devices. Our biggest competitor is apathy i.e. people doing nothing, and simply putting an old device in a drawer and forgetting about it. Our mission is to persuade consumers and corporate organisations to do something 'smart for themselves and smart for the planet' with the estimated £16bn worth of old devices that are currently lying around their houses and businesses.

A key part of this strategy has been the successful roll-out of our estate of nearly 300 SMARTDrop kiosks, mainly across the Asda estate, which provide an even faster, even more trusted and even more convenient way for consumers to sell their old devices for an instant payment to their bank account. In terms of our Asda partnership, October 2022 saw the completion of our roll-out in over 290 of its stores. This means that 90% of the UK's population now lives within a 15-minute drive of a kiosk, making it even easier, faster and more trusted to sell to us. Asda is proving to be a great partner in our mission to make the recycling of old devices a mainstream activity. The 290 kiosks provide its customers with a great way to 'pay for their shopping that day' with their old device, an especially valuable service during the cost of living crisis that we are currently experiencing. In addition to the Asda network, we now also have kiosks in other locations including the Trafford Centre in Manchester, with further plans to install in other high footfall areas during 2023. Post-period end, we reached the milestone of paying out over £10m to our customers through the kiosk network since its inception, and our kiosks now account for over 40% of the total paid out value on phones bought from consumers weekly.

Our kiosk strategy allows us to buy incremental devices and target a lower average cost and our focus is now on how we can further develop awareness of this fantastic service with more significant marketing and brand awareness that emphasise the merits of this convenient service. Our customer journey, pricing and operational processes are regularly enhanced to ensure we are meeting the needs of our customers by ensuring that stock is quickly transacted, processed, refurbished and ultimately resold (or rented) in a timely manner. Looking ahead, we plan to enhance our grading ability still further at the kiosks to better and more consistently identify blemishes in the device and also intend to review our pricing model at kiosks to reflect the highly convenient nature of the service and instant nature of the cash received.

Following the successful launch of our corporate recycling service in 2021, this strategic approach to buying incremental devices from businesses has evolved to a corporate circular model similar to our overall circular economy proposition for consumers. Magpie Circular was launched in 2022, which not only enables corporates to recycle their old tech in return for funds that they can put back into their business or donate to charity, but also allows them to rent either refurbished or 'new' condition products.

We are positioning ourselves as being 'here to help'; by enabling corporates to boost their ESG credentials by reducing e-waste. We provide e-waste avoidance certificates and give them information on the equivalent carbon saving for all the tech that they recycle with us. Critical to this is the data governance involved and every transaction is accompanied by the offer of a certificate of data wiping to give the corporate comfort that its old items are being treated with the same responsibility and trust that our consumers receive.

Chief Executive Officer's review continued

2. 'Sell more':

Despite the challenging trading environment for consumer-facing businesses, Consumer Tech outright sales grew 8.3% year on year (12.2% growth including rentals). This was achieved by expanding our sales channels to be more platform agnostic ensuring that maximum distribution of product is achieved and by recognising that we need to service consumers on whatever channel they wish to purchase from us. We are making it easier to buy refurbished Consumer Tech, Disc Media and Books with confidence from musicMagpie, which is the biggest and most trusted refurbished tech reseller in the UK.

In the first half of the financial year, we expanded our existing Amazon UK and US relationship by extending our offering to Amazon Fulfilment by Amazon and Seller Fulfilled Prime. In April, we added Back Market UK to complement our existing third-party outlets of Amazon and eBay, followed by Back Market US in the summer, giving us three major platforms for product sales in each locale.

Selling through third-party platforms requires the payment of a selling commission, with varying rates across the different platforms, and of course the same level of consumer 'ownership' is not achieved as it is when selling though the musicMagpie store. However, the benefit is that we do not have to spend on marketing costs to acquire customers and we can access a wider pool of consumers, a number of whom will be interacting with our brand for the first time. By tactically using other selling platforms, we can select the best outlet for our products based on demand, competitor behaviour and each platform's promotional activity. Our preferred sales channel will always be our own musicMagpie and decluttr stores, but managing platforms in this way delivers profitable sales and will continue to be a key part of our growth strategy.

Post-period end, we announced the addition of Walmart.com to our suite of third-party platform partners. Whilst the initial launch is for Disc Media only, Consumer Tech will be added during our current financial year, which will most likely be launched on Walmart's dedicated refurbished programme, Walmart Restored. It is unclear how much traction the recently launched Restored programme will gain, but with the world's largest retailer creating a dedicated refurbished electronics programme, it is further confirmation that the circular trend is growing in the US.

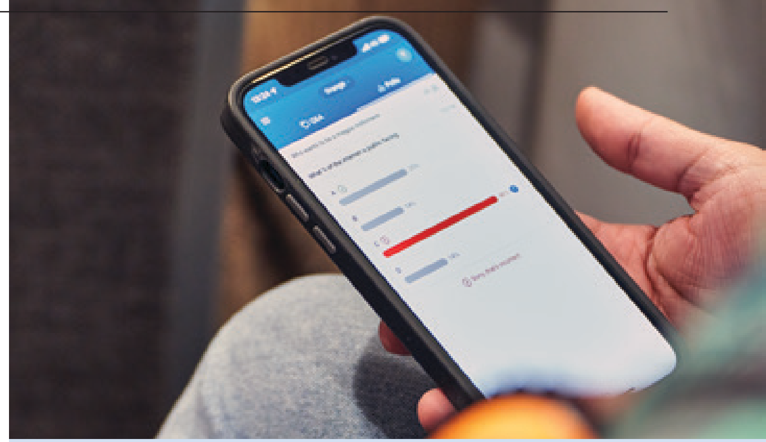
3. 'Rent more':

Our monthly rental subscription offering continues to grow year on year and its disruptive and differentiated nature continues to be a highly attractive and flexible value offer for many consumers – especially in these uncertain economic times. At year end, the active rental book was 30,500, an increase of 17,000. The book of rental agreements, which represents contracted future cash flows, has become a significant asset for the business and something that we are continuing to grow at pace. Throughout the year, renewal rates and delinquency rates have been fairly consistent, and we are constantly exploring different techniques to improve and enhance our offer.

Our rental offering also increased with the inclusion of wearables, games consoles and MacBooks, including new Apple products at the time of launch to market in September.

As outlined above, in the second half of the year, we launched Magpie Circular which includes a corporate rental offering to sit alongside our consumer-facing subscription service. Working in partnership with Utelize, we provide corporates with a managed service to review and refresh devices and call packages without being tied to network provider devices and costs. Corporate renting, which is characterised by a larger number of devices in a single transaction and a much lower risk of delinquency, has a number of advantages over consumer renting. Customer acquisition will be less consistent than consumer but we are confident that the offering will be attractive to an increasing number of corporates – given the cost effectiveness, the flexibility and, of course, the environmental benefits. We were pleased to announce Stagecoach as our first corporate rental customer in October 2022, contracted on a three-year term.

Post-period end, we launched a 24-month subscription service to coincide with the Christmas 2022 period. In the current economic climate consumers are more mindful of their monthly expenditure which is why we are helping them with an even lower monthly price point. Longer-term contracts also provide us with lower transactional costs. Whilst we expect lower overall average monthly rentals from 24-month contracts, the impact in the first year of launch is a higher renewal rate as none of the 24-month contracts come up for renewal at the end of the first year.



Rental keeping costs down

Kelly, 40, from Yorkshire.

'I'm working from home now whereas before I was going into work – I was finding my signal wasn't very good at home on my current provider. Being a previous customer of musicMagpie, I received an email from them about their new rental offering so I decided to investigate that further.

At the same time, I was looking at signing up to a new contract with a different provider; however, the monthly payments were a lot higher than what I wanted to pay and I needed to lock in to a three-year contract which just did not suit me, as the commitment was too long. It also didn't offer me the option to upgrade in that time; I know that a phone will certainly deteriorate over three years and I didn't want to be tied in.

I decided to go with a rental phone as I could keep my payments as low as £23.99 a month and choose a SIM-only plan with a network that had better signal where I lived. I love the fact that you can upgrade or change your device after a year as well, which I have just done. I went from a Samsung Note 10+ to a Samsung S21 and my monthly payments came down by £5.95 per month, which doesn't happen on a usual contract.

The other plus of renting which is significant is the environmental benefit. By returning the devices to be refurbished and reused we are keeping them in circulation for longer and stopping them from going to landfill and ending up as a massive pile-up of waste. Given that you only rent for a year that's also a continuous cycle and I think that's fantastic.

I've been recommending renting to all my friends and family as I feel it's something great that I've discovered. If we all do this it will be better for the environment and we can save ourselves some money too!'

Chief Executive Officer's review continued

3. 'Rent more': continued

The growth of both consumer and corporate rentals will underpin our future growth and we see tremendous potential in this area; it is our major differentiating factor as it deepens the relationship with our customers and provides the business with high-quality recurring income and EBITDA. We have seen strong and consistent demand for our rental subscription service and believe that we can grow it with only relatively modest investment in advertising to increase awareness. However, the service requires careful management of the investment cost, as we substitute an outright sale and immediate cash for a longer-term contractual cash flow. We have a three-year committed RCF with NatWest and HSBC to help drive future growth in this area and are excited about the potential of rental to transform the business.

Sustainability

Sustainability is at the heart of everything we do. Our core mission is to be 'here to help' bring the circular economy to all, to educate consumers on waste reduction and to extend the life of products by preventing them from ending up in landfill. We believe that as the market shifts towards subscription and rental models, our business model stands us in good stead to lead this sea-change towards a more sustainable economy.

In addition to the highly circular nature of our core services, to help support our communities and environment, we have implemented a range of sustainability measures to improve our environmental impact. These include reducing our carbon footprint, limiting waste and decreasing resource consumption. Additionally, we actively engage with customers, suppliers and local communities to educate and collaborate on sustainable practices. By taking a holistic approach to the circular economy and sustainability, we strive to not only benefit our business, but also contribute to a more sustainable future for all, in line with our 'smart for you, smart for the planet' ethos, and ultimately to be 'here to help' make a difference.

Looking after our people

We care about our colleagues and Magpies care about each other. During the year there have been exceptional highlights and contributions and I am proud that every one of our colleagues continues to strive to make a difference in all of our locales in many ways. Our Charity Committee continues to find innovative and enjoyable activities to support our chosen charity, this year being EGG: Engage, Grow, Go, which aims to provide permanent intervention to find a home and employment for homeless individuals. In line with our core values, innovating and collaborating to deliver new projects efficiently and to time by working together drives us forward in achieving our goals and unites us in our common purpose: to care about our customers, colleagues, community and the environment. During the year we have seen 80 colleagues thrive by receiving internal promotions and it is my greatest pride in leading the business that we are able to consistently retain our top talent and attract new talent into the business and that no Magpie should ever have to look to leave the business to further their career.

I would also like to take this opportunity to thank all of our amazing Magpies across the business, without whom musicMagpie would not be where it is today.

Cost base

The cost of living crisis has not only impacted our customers, but also our colleagues. As part of our year-end wage review, we responded by increasing wages for lower-paid colleagues in line with increases made to the minimum wage. We did this ahead of the statutory date of April 2023 by introducing these increases in December 2022 to help our lower paid colleagues through a difficult winter as part of our deep-rooted belief in social and environmental obligation. Whilst this will increase our underlying cost base year on year, we are confident that we can mitigate the impact of this wage inflation through a comprehensive review of spending, which has seen us review costs in all areas of our business. This includes the Non-Executive Directors and me agreeing to reduced fees for a minimum period of six months, for which I am extremely grateful to my colleagues.

Although managing our buy and sell prices does provide some protection from cost increases, inflation in our cost base is clearly a major consideration. Energy costs have of course been a significant feature of inflation, but we took steps to hedge against this by purchasing our demanded units of electricity before the price increases occurred. As a result, our energy costs for 2023 should be at similar levels to 2022.

We are committed to leaving no stone unturned in our efforts to control costs, make savings and support our margin aspirations and we expect to manage costs at broadly the same level as 2022.

Looking ahead

Whilst the business has clearly not performed as well as we would have wished in the last year, we are pleased with the growth in Consumer Technology in 2022, which has helped to mitigate the expected decline in our Disc Media and Books category post pandemic. It is well documented that there are major challenges in the global economy that will impact consumers in the months ahead and the cost of living crisis is clearly going to make life tough for many. As a retail business, we will inevitably be affected by these challenges, but our circular economy model should provide some insulation. musicMagpie was born and grew rapidly in the worst recession in a century back in 2008 and being 'here to help' consumers raise cash for their old tech and media whilst saving money when buying or renting refurbished technology is counter-cyclical to macro-economic challenges in many ways. It is our rental offer which truly differentiates us and offers both consumers and now corporates an offer 'for the moment' of greater flexibility at a lower monthly cost. We anticipate further significant growth from rental in the coming year.

Despite the short-term challenges, in the medium to longer term we remain hugely excited about the prospects of the business and rental model in particular and as the fundamentals of our business model have not changed, we continue to be confident in the execution of our strategy.

We are very much 'here to help' in making a difference to the welfare of consumers, corporates and our environment and I remain proud of the positive impact we have on all.

Steve Oliver
Chief Executive Officer
7 March 2023

Our strategy

We buy product to allow us to sell and rent. The more we buy, the more revenue we can generate from selling and renting. With Rental we have the added benefit of knowing what product is coming back and when, allowing us to flex and manage our procurement.

Buy More → **Sell More** → **Rent More**

Our strategy continued

Buy more

Buying stock is essential to allow us to sell more and rent more.

Key achievements

- Kiosks successfully installed in 290 Asda stores across the UK
- 90% of UK's population lives within a 15-minute drive of a kiosk
- Kiosk in The Trafford Centre, Manchester
- Paid out £10.0m to customers to date

+£10m

Paid out from kiosks since launch

Future priorities

- Maximising the exposure of the kiosks and grow the daily kiosk interaction
- Increasing the margin with dynamic pricing
- Striving to continually improve the speed and walk-up journey of the consumer

40%

Proportion of consumer bought phones sourced from kiosk

Links to risks

A C E F

» Read more about our risks on pages **27 and 28**

Strategy in action

SMARTDrop kiosks

SMARTDrop kiosks are a sustainability initiative between Asda and musicMagpie. They give consumers the ability to trade phones in for immediate cash and raise the possibility to 'pay for your shopping today'. The kiosk roll-out programme successfully completed in November 2022 and is now in 290 Asda stores across the UK.

For customers, the kiosks offer an even faster and easier way to recycle unwanted phones for instant cash. Customers take their phone to a kiosk, receive a valuation, deposit it and then have the money paid to their bank or PayPal account within minutes, which they can then use to pay for their shopping in store that day if they choose. For musicMagpie, the kiosk network gives an opportunity to buy incremental units by unlocking the value of the unused tech in homes across the country.

The kiosks give Asda a differentiated offering in a high foot fall space. The kiosk also brings new customers to the stores who otherwise may not have visited.

For musicMagpie the ability to buy more stock at lower margins helps fuel the rent more and sell more commercial aspirations.

Our strategy continued

Sell more

We manage multiple channels to ensure the correct mix of platform and store sales. This ensures we stock and sell the right devices at the right price and have various routes to market to avoid over reliance on a single platform.

Key achievements

- Expanded sales channels with graded product on Amazon
- Expanded platforms with launch on Back Market in April 2022
- Media products launched on Walmart.com post year end
- Black Friday week 2022 the highest week's trade in musicMagpie history

£33.9m
Total gross profit from all outright sales

66%
Consumer Tech now majority of revenues

Future priorities

- Managing platforms to ensure the right mix of sales and margin
- Ensuring musicMagpie store maintains its prominence in the sales mix
- Reviewing current and upcoming platforms to maintain profitability

x4
Active global platforms

Links to risks

A C E F

» Read more about our risks on pages **27 and 28**

Our strategy continued

Rent more

An affordable and flexible subscription model.

Key achievements

- 30,500 active renters at 30 November 2022
- Business rental service launched October 2022
- Stagecoach first corporate customer
- 24-month contracts released for the new year

30,500
Active renters

£20
Average monthly consumer payment (inc VAT)

Future priorities

- Controlled growth
- Reviewing the duration of contracts to maximise customer demand
- Expand the range of devices available to rent

£3.1m
Forward rental revenue

£6.6m
Balance sheet asset

Links to risks

A B C D E F H

» Read more about our risks on pages **27 and 28**

Strategy in action

Rental Revolution economics

Rental provides consumers with a more affordable and flexible way to own a device. For musicMagpie rental builds recurring revenues and a deeper relationship with customers, leading to greater expected revenue and profits per unit.

Building a rental book:

- Profit is impacted in the very short term, as Rental is a time-based model and outright sales give an immediate cash profit
- The rental book represents contracted future cash flows
- Maturing Rental contracts provide a predictable set of devices arriving back into the business – they are accounted for as fixed assets, but come back into the business as sellable or rentable stock

Recurring nature of rental:

- 30,500 renter base at 30 November 2022 provides committed revenue of £3.1m for the 12-month period starting 1 December 2022
- The pace of acceleration of rental can be slowed or increased to help manage the Company's cash position accordingly

Stakeholder engagement

Connecting with key stakeholders

Statement by the Directors in performance of their statutory duties in accordance with Section 172(1) of the Companies Act 2006.

During the year ended 30 November 2022, the Board of musicMagpie plc considers that it has acted in a way it considers, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, by having regard, among other matters, to the:

- long-term consequences of any decision;
- interests of the Company's colleagues;
- impact of the Company's operations on the community and the environment;
- Company's brand as a trusted consumer supplier;
- importance of the Company maintaining its credentials as a sustainable business;
- reputation for high standard of business conduct; and
- the need to act fairly as between members of the Company.

The Board considers the interests of a range of stakeholders impacted by our business and recognises the value of stakeholder engagement. Presented here are the key priorities for each stakeholder group and the ways in which we engaged with them during the course of 2022. This list is not exhaustive nor in any priority order, but instead is designed to provide a summary that illustrates the importance stakeholder groups play in the Board's decision making.

Colleagues

Magpie's are core to our business model and we provide a safe, diverse and inclusive working environment with opportunities to develop and make an impact.

Focus area

- Safety of all our colleagues both in the office and in the warehouse
- Motivated and talented colleagues with fair and appropriate remuneration
- Innovative culture to promote growth
- Sustainability at the heart of decision making
- Share ownership to align objectives

How we engage and respond

- Monthly comms, annual conference, Magpie alerts and colleague newsletter
- Cycle of Senior Leadership team ('SLT') site visits and 'meet and greets'

Engagement outcomes

- Launch of MagpiePerks (rewards, recognition and wellbeing portal)
- Increase in lower levels of pay to reflect increases in cost of living
- 2022 SAYE scheme open to all colleagues
- Performance-based rewards for 'top talent'
- Management development training programme launched

Customers

Critical to the Group's success is understanding our customers. With understanding we can continually improve our customer proposition and drive profitable sales thereby allowing us to invest and innovate our capabilities.

Focus area

- A responsible brand committed to sustainability
- Product availability and choice
- Value for money to help our customers
- High levels of customer service

How we engage and respond

- Collection of customer performance metrics
- Customer surveys
- A dedicated and highly responsive customer service team
- CEO responsive to customer contacts

Engagement outcomes

- 252,000 Trustpilot reviews – 4.4*
- Customer satisfaction ('CSAT') performance metric above target
- Fast check-out launched

Stakeholder engagement continued

Investors

We aim to provide clear communication of the short-term trading and long-term strategy of the business as well as balanced and understandable information on other aspects of the Group. We want shareholders to understand our strategy, business model, culture, performance and governance.

Focus area

- Clear and simple strategy that shareholders can easily understand
- Sustainable growth that generates profits without wider negative impacts
- Regular communications to keep shareholders up to date

How we engage and respond

- Financial calendars
- Soundbite CEO videos

Engagement outcomes

- Virtual roadshow attendance
- High level of shareholder voting
- Feedback and questionnaire responses

Environment

We believe we have a collective social responsibility to use and develop our service and technologies to tackle consumer recycling. This is a fundamental priority of our business and an integral part of our corporate values – our stated purpose is 'smart for you, smart for the planet', and our service gives consumers a choice to consume in a more sustainable and environmentally friendly way.

Focus area

- Circularity at the centre of our business model
- A commitment to sustainability, resource efficiency and waste elimination

How we engage and respond

- Regular participation in forums, conferences and other public awareness sessions
- A focus on energy reduction and carbon saving
- Input into local business and sustainability issues as a key opinion leader

Engagement outcomes

- Programme of energy reduction
- Forensic project to reduce water waste
- 43,500 tonnes of carbon saved
- Carbon literacy programme rolled out to colleagues

Suppliers

The circular nature of our business is such that the majority of our supplier base are the general public and our 'customers'. We seek to 'treat customers fairly' in all aspect of this supply relationship.

Focus area

- A fair and transparent supply chain that treats our partners fairly
- Quality and reliability in supply that eliminates waste and improves efficiency
- Flexibility and scalability of supply to meet the growth expectations of the Group

How we engage and respond

- Review of supplier ESG policies to promote an equitable supply chain
- Funnel planning

Engagement outcomes

- Fast and efficient payments
- Auctions and wholesale tenders
- Kiosk providing immediate cash for consumers

Communities

As a Group, we want to support the communities where we operate. We consider the wide social and environmental impact of our operations and are fully committed to responsible, sustainable retailing.

Focus area

- Social responsibility to positively impact the communities the business operates in
- A sustainable agenda that does not harm the environment
- Doing business in a manner that benefits the wider community

How we engage and respond

- Encourage volunteering for staff
- Liaise with key local charities
- Participation in local forums and groups
- Involvement in and membership of various city and other regional business partnerships

Engagement outcomes

- Cash for Kids Christmas mission support
- Hours of volunteering for local projects
- Launched charitable giving at payment on the store ('pennies')
- Significant cash raised for charity

Sustainability

Streamlined Energy and Carbon Reporting

Implementation of the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations

Regulations place requirements on certain publicly quoted companies and large private companies to incorporate TCFD aligned climate disclosures in their annual reports. The regulations apply to the annual reports which start on or after 6 April 2022. musicMagpie intends to comply fully with these requirements that will apply to the FY2023 Annual Report. Over 2022, we have been hard at work to implement the TCFD recommendations and this section of the report provides a progress update. The TCFD recommendations are split under four pillars: governance, strategy, risk management, and metrics and targets.

Governance

Sam Vesey (Group Chief Sustainability Officer, 'GCSO') has executive responsibility for sustainability-related matters, including climate change. Sam is a member of the Senior Leadership Team and provides updates to the SLT on sustainability matters on a monthly basis. Regular updates are provided to the Board on key sustainability issues as well as an annual presentation of our sustainability strategy.

At the management level, we have appointed Phill Marples as Group Head of Sustainability and appointed a sustainability working group with representatives from across the business. The working group is responsible for supporting the implementation of our carbon management strategy. We have been working with external experts throughout 2022 to evolve our strategy with our working group participating in a series of workshops to build our internal capabilities. Our strategy will be finalised in early 2023 and the working group will meet on a quarterly basis and as important matters arise.

Strategy

As the largest recycler of consumer mobile phones in the UK, sustainability and the circular economy are embedded within our unique business model.

Our core strategy is simple: to provide consumers with a smart, trusted and sustainable way to buy, rent and sell refurbished consumer technology and physical media products. We see a significant opportunity for musicMagpie to accelerate its growth by adopting a simple three-pillared strategic approach to 'buy more, sell more, rent more'. Sustainability is one of our supporting pillars: to operate in a sustainable manner, thereby reducing our environmental impacts and contribution to climate change across all aspects of our operations.

Risk management

The GCSO and sustainability working group have responsibility for the identification, assessment and management of climate-related risks. Working with our external experts, an initial climate risk assessment was conducted during 2022. A range of climate risks (including policy and legal, market, reputation, technology and physical impacts) and opportunities (including resource efficiency, products and services and resilience) were appraised using our existing risk management matrix to evaluate the likelihood and potential impacts.

Carbon Literacy programme

In 2022 we launched our in-house Carbon Literacy programme to our colleagues.

The Carbon Literacy programme is based on the key aim that if we are to cut our carbon emissions by the kind of reductions demanded of us by science, then we will need to change culture alongside technology.

I found the course to be insightful and engaging, giving more understanding of the issues we find ourselves in with regards to global warming and the impact we are having on the planet. It gave me more knowledge on things I can do to reduce our carbon footprint.

Freddie Foster
Tech Improvements Manager

The outputs of this initial risk assessment were communicated to the SLT to rank climate-related risks alongside other business risks for inclusion in the overall risk assessment. The initial climate risks identified were included on the risk register and shared with the Board. Moving forward, the risk assessment will be reviewed twice a year with the outcomes shared with the SLT and included with the key risks and risk register as appropriate.

Sustainability continued

Metrics and targets

SECR Statement

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 require musicMagpie plc to disclose annual energy consumption and greenhouse gas ('GHG') emissions. Our global Scope 1 and 2 emissions and energy use have been independently quantified by Envantage for the year ended 30 November 2022.

The disclosures have been calculated in accordance with the GHG Protocol and are compliant with the SECR reporting requirements. They relate to buildings and transport activities in the UK and US where operational control is held – this includes electricity, gaseous fuels and business travel in both Company-owned and grey fleet vehicles, although liquid fuels and refrigerant gas leakages have also been voluntarily disclosed. In addition to the mandatory SECR reporting and voluntary disclosure of our US emissions and additional Scope 1 emissions sources, we have carried out a screening assessment of our Scope 3 emissions from FY2021 and have already made progress to improve our calculation methodology for FY2022. The results of our Scope 3 assessments are included in the table on page 20. The table below details our energy and GHG emissions sources for the current year against last year.

The screening assessment makes use of financial spend information and high-level EEIO emission factors to approximate upstream Scope 3 emissions. To estimate our downstream emissions we have used sold product information and developed models to calculate our downstream emissions. The purpose of these assessments is to identify key emissions 'hotspots' where we can focus our efforts in obtaining more accurate and granular data.

For FY2022, we have obtained actual data from our logistics partners to improve the accuracy of our calculations. We have also made refinements to our use of the sold products methodology to take into account the year of manufacture to better reflect the lifespan of recycled tech products. We will continue to evolve our Scope 3 calculations to increase accuracy and transparency in future reporting periods.

For more information on the calculation methodology please refer to page 21.

Achievements from 2022

Products and services

- (Buy more) Successful roll-out of **SMARTDrop kiosks** across 290 Asda stores, making it easier for customers to recycle their phones. They also make use of the existing Asda logistics network to transport into us in bulk rather than individual deliveries to reduce the GHG impact.
- (Rent more) **Expansion of our rental service** to include tablets, games consoles and MacBooks following on from the success of the smartphone rental offering. Subscription service category extension further builds on musicMagpie's circular economy ecosystem, contributing to a reduction in e-waste.
- (Buy/rent more) Launch of **Magpie Circular**, our business tech trade-in service, where we can recycle old tech responsibly including smartphones, tablets and MacBook computers. This includes a new innovative service for how businesses source, deploy, manage and recycle Apple devices.

Research and development

- (Sell more) We have improved our **grading system**, enabling our grading department to better record device quality to a more granular level so that data-driven decisions regarding repair, refurbishment and harvesting can be made.
- (Sell more) Introduced a **new screen polishing process** which enables us to refurbish screens in house. This reduces transportation, decreases the need for virgin parts and improves overall condition of devices sold. Through this activity, we see a 30% increase in quality of all devices that go through this refurbishment treatment.
- (Sell more) Developed an **enhanced LCD screen repair process**. We are able to separate the core glass from the digitiser which allows us to reuse the digitiser by introducing a new glass overlay rather than buying completely new components and have reduced our waste streams by reusing good components.

Supply chain

- (Sell more) Successfully **quantified our Scope 3 emissions** for both FY2021 and FY2022. We have already made great progress in improving the quality of these calculations by working with our suppliers and logistics partners.
- (Sell more) Increasing our use of **parts harvesting** to reduce the impact of our supply chain. When we have a device that is beyond economic repair, we harvest as many usable parts as possible for use in other devices, reducing our purchasing of virgin components.
- (Support) **Revised procurement policy to incorporate an evolution of suppliers** to reduce logistics impacts and the impact of our consumables.

Operations

- (Support) We have carried out **energy audits at our UK distribution centres** as part of the Energy Savings Opportunities Scheme. We have begun implementing a range of measures to reduce our energy use and CO_2 emissions, including:
  - improvements to energy management;
  - smart heating control systems; and
  - LED lighting and controls.
- (Support) Our electricity usage for the year has been sourced from 100% renewable electricity using a combination of bundled and unbundled energy attribute certificates[1].
- (Support) Launched our first **employee commuting and homeworking survey**, in partnership with Transport for Greater Manchester. The purpose of the survey is to: 1) understand more about how our colleagues travel to promote more sustainable means of travelling to work; and 2) increase the accuracy of GHG calculations for employee commuting.

1. Renewable Energy Certificates ('RECs') for US operations and Renewable Energy Guarantees of Origin ('REGOs') for UK operations.

Sustainability continued

Energy efficiency actions

musicMagpie is committed to reducing its environmental impact and contribution to climate change through continuous improvement to energy management and operational procedures.

An energy management system is being installed at our Hazel Grove distribution centre to improve the controls of the various heating systems used on site. The system is anticipated to deliver savings in the region of 25–40% reducing our GHG emissions by 20tCO_2e per annum.

At our Macclesfield distribution centre, an LED lighting project including the use of occupancy sensors is to be implemented that will reduce our emissions by 15tCO_2e per annum.

Beyond these measures we are focusing on improving behaviour around the use of energy, encouraging employees to play their part in reducing consumption.

We have expanded our coverage of renewable electricity to cover all Group operations, extending beyond our Hazel Grove and Macclesfield distribution centres to include head office and our US distribution centres. Through the purchase of Renewable Energy Certificates we are able to report zero Scope 2 emissions under the market-based methodology.

GHG emissions

The table provides a detailed breakdown of our Scope 1, 2 and 3 GHG emissions.

Our Scope 1 and 2 emissions have fallen by 60% compared to last year and we have eliminated our Scope 2 emissions through sourcing of renewable energy certificates for 100% of our operations.

Scope 3 emissions have decreased by almost 11% compared to last year. The largest reduction relates to upstream transportation and this decrease is primarily related to a change in our methodology. In FY2021, emissions were calculated based primarily on our financial spend, whereas in FY2022, we have been able to obtain delivery and emissions data from our delivery partners to improve the calculation accuracy. This year we have purchased fewer technology and media items which has reduced emissions within the purchased goods and services category. Finally the use of sold product emissions have fallen by 5.7% compared to last year. UK emissions have fallen due to reduced sales volume as well as an improvement in the UK grid emissions factor.

		FY2022	FY2021	% change
Energy (kWh)				
Heating energy[2]		**1,355,695**	1,690,716	-19.8%
Electricity		**1,232,807**	1,439,849	-14.4%
Transport[3]		**46,366**	71,647	-35.3%
Total energy		**2,634,868**	3,202,212	-17.7%
GHG emissions (tCO_2e)				
Scope 1	Natural gas	**157**	229	-31.4%
	Gas oil	**124**	110	12.7%
	Company vehicles	**9**	13	-30.8%
	LPG	**3**	3	—
	HFCs	**15**	15	—
Scope 2	Electricity[4]	**—**	401	-100.0%
Scope 3	Purchased goods and services	**44,597**	47,085	-5.3%
	Capital goods	**1,501**	746	101.2%
	Fuel and energy-related activities	**142**	180	-21.1%
	Upstream transportation	**7,814**	12,862	-39.2%
	Waste	**87**	625	86.1%
	Business travel	**20.3**	27	37.0%
	Employee commuting and homeworking	**527**	456	15.6%
	Use of sold products	**15,284**	16,210	-5.7%
	End of life	**686**	1,121	-38.8%
Total Scope 1		**308**	370	-16.8%
Total Scope 2		**—**	401	-100.0%
Total Scope 3		**70,659**	79,312	-10.9%
Total GHG emissions		**70,967**	80,083	-11.4%
Emissions intensity[5]		**145.3**	145.6	-0.2%
Intensity metric	(Turnover (£m))	**488.8**	550.4	-11.2%
tCO_2e/turnover (£m)		**2.1**	5.3	-59.8%

In the US, emissions have increased as we have sold a greater number of consoles which is the single largest contributor to our use of sold product emissions. We will continue to evolve our Scope 3 methodology and explore ways that we can update our historical emissions as our methodology evolves so that we are drawing fairer and more accurate comparisons in the future.

2. Includes natural gas and gas oil consumption.
3. Includes Company owned vehicles, grey fleet and LPG consumption for forklift trucks.
4. Electricity emissions have been calculated using the market-based methodology, to reflect the contractual arrangements in place for our electricity supplies.
5. Emissions intensity ratio has been calculated using Scope 1 and 2 emissions only.

Sustainability continued

Avoided emissions

During 2022 our UK media and tech customers along with our trade partners have helped us save an estimated 43,000 tonnes of CO_2e by selling and buying from us.

This is the roughly the same amount of carbon as heating over 16,000 homes in the UK for a year or over 53,000 flights from London to New York.

10.4m
Media Units @2kg per unit

+

371k
Tech Units @65kg per unit

=

43,572
Tonnes of CO_2

Heating
16,138
Homes for a year

OR

53,136
flights from LHR to JFK

Targets and commitments

We recognise that we have a significant role to play in the global transition to a low-carbon economy and have aligned our ambitions with the Zero Carbon Manchester framework, aiming to be a net zero company operating within the Greater Manchester region by 2038. To turn this long-term commitment into near-term ambition, we are working towards setting a science-based emissions reduction target in line with the recommendations of the Science Based Targets initiative ('SBTi'). Whilst we are not seeking validation through the SBTi at this stage, we will ensure we are following its best practice approach and reducing our emissions in line with the 1.5°C goal of the Paris Agreement.

Methodology

Scope 1 and 2

Fuel and energy – Energy consumption from electricity and natural gas use taken directly from supplier invoices where available. Other fuels have been taken from supplier invoices and converted into equivalent energy using standard calorific values. All UK energy disclosures have been converted into GHG emissions using factors published by BEIS in 2022. Emissions generated by the US facility have been quantified using factors published by the US EPA.

GHG emissions associated with Scope 2 purchased electricity have been reported using the market-based method. Our head office and UK distribution centres are on REGO-backed green electricity contracts and we have purchased unbundled renewable energy certificates (REGOs for UK and RECs for US) to ensure that 100% of our electricity consumption is covered by renewable energy certificates enabling us to report zero Scope 2 emissions. For comparison, our location-based emissions for FY2022, calculated using the grid average emissions factor, were 296tCO_2e.

Fugitive emissions – Air conditioning /refrigeration equipment emissions have been quantified using annual F-gas service reports and global warming potential factors published by BEIS. Where unavailable, standard leakage rates have been used. Emissions data associated with the Telford and Kennesaw facilities have been excluded from reporting due to a lack of information; the impact of these exclusions is considered to be immaterial.

Transportation – Emissions quantified using fuel card transactions and mileage expense claims. Fuel and mileage have been converted into equivalent energy and GHG emissions using 2021 BEIS emissions factors. Vehicle average size and fuel type have been assumed.

Scope 3

Our approach to calculating Scope 3 emissions is developing constantly; we are trying to obtain more accurate 'activity' data to quantify our emissions and move away from financial screening methodology. Our calculations currently make use of a wide range of data including supplier specific data and emission factors, colleague survey data, UK Government emission factors, and modelling including life cycle assessment methodologies to approximate our emissions. Where detailed data is unavailable, a screening methodology using financial spend data has been used to estimate emissions. 69% of Scope 3 emissions are calculated and 31% are screened; our aim is to reduce the amount of screened emissions each year.

For purchased tech and media, and the use of sold products, the majority of emissions have been calculated using a lifecycle assessment methodology that considers the numerous lifecycles of second-hand products, where embodied emissions are apportioned over each lifecycle, to adopt a more conservative approach at this stage. Upstream logistics have been quantified using a combination of data from specific carriers and financial spend information to approximate emissions.

Employee commuting and homeworking emissions have been quantified following a colleague survey. Fuel and energy-related activities have been quantified based on underlying energy usage and UK Government emissions factors. Emissions from waste treatment have been calculated by our waste management partner for the UK and screened based on financial spend for our US operations. Around 30% of our purchased goods and service, along with capital goods, business travel (with the exception of grey fleet mileage) and end of life treatment of sold products, have been screened based on financial spend and product weight data respectively.

Steve Oliver
Chief Executive Officer
7 March 2023

People and culture

Everything we do is powered by our colleagues

The Magpie Values

Our values seek to describe the unique Magpie way of doing things. These values are embedded in all aspects of recruitment, performance and development and we continue to seek ways to further embed our values as we navigate the challenges of hybrid working.

Magpies care: Magpies care about each other, our customers, our communities, and the environment. Sustainability is at the heart of everything we do.

Magpies make a difference: Every single colleague contributes to the success of our business and is committed to making a difference. We all do our jobs to the highest standard. We're passionate about what we do and the positive effect it has on our customers and the wider world.

Magpies thrive: We respect, celebrate and harness individual differences while working as a team. We encourage everyone to develop their skills and provide support to help fulfil both individual and team potential.

Magpies are better together: We're talented individually but know that we work better together as a team. We communicate openly and respect each other no matter what. We listen to each other and approach fresh ideas with collaborative attitude and open mind. Although we are based in numerous locations, we're one team with shared purpose.

Magpies innovate: We believe great ideas come from anywhere and are constantly seeking to innovate. We're proud of what we do, but we never settle and constantly anticipate the future. We always ask 'what's next?' and work as hard as we can to make sure we do it first. We encourage questions and suggestions no matter how big or small.

Colleague engagement

musicMagpie prides itself on its feedback culture, seeking the views of colleagues through a variety of mechanisms and making improvements based on this feedback. We want to ensure that all colleagues have the opportunity to have their say, are involved and are able to contribute their experience, expertise and ideas to support improvements at work.

Our 'always on' feedback mechanism, 'The Feedback Loop', allows colleagues to give feedback on every aspect of life working at musicMagpie and decluttr; since its launch in FY2021, we have received some great ideas, suggestions and feedback and have taken action on this feedback where possible.

Leavers are encouraged to give feedback on their experiences with the business; however, more importantly we have continued conducting face to face feedback sessions with colleagues as part of our retention strategy.

Colleague communications

Communication with all colleagues throughout the business remains key, and we strive to ensure that communications are open, honest and timely, driving involvement and improved knowledge, and fostering ownership and belonging.

Regular communications and updates include a monthly CEO-led Company-wide video call to update on business performance, to update on strategic projects and people news and to celebrate success. Our annual newsletter, 'The Loop,' is issued to all colleagues in the UK and US, providing a review of the year.

Colleague performance

Our aim is to create a high-performance culture of continuous improvement based on individual and collaborative performance linked to business objectives. Managers are encouraged to conduct regular individual reviews, using an objectives and key results approach to keeping performance on track, driving a culture of continuous review and continuous performance improvement and focusing on career development as part of these discussions. Colleagues are assessed on their alignment with the Magpie values alongside functional objectives to further promote and embed our preferred ways of working.

Colleague reward

We are committed to rewarding and recognising excellent contribution, and alignment to the Magpie values, ensuring equality of reward throughout all levels of the business and that reward is competitive to support talent attraction.

We are delighted to have been able to bring forward the increase of minimum wage pay rate from April 2023 to December 2022 to help support our colleagues with the cost of living crisis. In fact, all eligible colleagues below the SLT received a pay increase in December.

To support our strategy of linking reward and recognition to the Magpie values we were pleased to hold our inaugural Magpie Values Awards ceremony at our conference in May where we were proud to celebrate some of our amazing Magpies who had been nominated by their colleagues based on them demonstrating one of our Magpie values. We also launched a reward platform in FY2022, offering discounts and benefits, and will be extending this in early FY2023 to allow colleagues to recognise each other for demonstrating the values leading to rewards.

Colleague wellbeing

Ensuring the health, happiness and wellbeing of all colleagues at work is important to us. Representative of our value of 'care', colleague wellbeing has always been at the forefront of everything, has been critical during the Covid-19 pandemic and continues to be of significant importance in response to the increase in colleagues seeking support with mental health as we emerge from the pandemic.

During FY2022 we have focused on the wellbeing of our colleagues, introducing a new wellbeing platform and Employee Assistance Programme as well as continuing with regular wellbeing feedback surveys and taking action accordingly.

People and culture continued

Training and development

We are committed to supporting the development of internal capability and capacity to address the challenges of performance and succession and to drive retention and engagement. During the year we launched our e-learning platform and managers created learning journeys for their teams.

The SMART Leadership Development Programme was launched in FY2022, with all participants undergoing 360° feedback at the outset along with an insights assessment to feed into the programme. This eight-module programme continues into FY2023 and is constantly under review to ensure the content reflects individual needs, providing colleagues with the skills required to be the best managers and leaders they can be.

We continue to promote the use of structured apprenticeship programmes, and currently have a number of colleagues undertaking apprenticeships to develop their skills. This will be a further area of focus in FY2023.

Diversity and inclusion

We know that creating a diverse workforce and an inclusive culture enables us to attract and retain the best talent and empower colleagues to achieve their full potential, irrespective of individual differences. Our colleague-led diversity and inclusion group, DANDI, continues to meet regularly to discuss hot topics and ways of educating colleagues and improving diversity and inclusion throughout the business. In FY2022, we launched a diversity and inclusion learning journey on our e-learning platform to all colleagues and intend to expand on this training in FY2023.

We continue to actively focus on meritocracy in recruitment, although we are seeking ways to attract more female candidates and to ensure we have equal opportunity for internal progression. We strive to avoid bias in our pay and employment policies and practices, including in recruitment, training and development, promotion, and pay and benefits, and are delighted to have again promoted a number of female colleagues to senior positions this year as well as welcoming more females into the business. Several of our female colleagues are members of Digital Her – a programme from Manchester Digital dedicated to inspiring and encouraging more young women across Greater Manchester to consider careers in technology and digital.

Charity and community

This year, we have continued our partnership with City in the Community to support its programmes focusing on improved mental wellbeing in young people and sporting activities with disadvantaged people in Greater Manchester. We gave over an area of our warehouse to the hamper project in the run-up to Christmas and have donated a significant amount to charities in the UK and US instead of giving Christmas gifts to colleagues.

Our colleagues have been involved in a number of charity events; a team of 15 colleagues, the 'Wheelie Magpies', again collectively cycled over 1,200 miles in eight days raising money for Smart Works – a charity which provides practical and emotional support to unemployed women to help them back into the workplace.

This year we have chosen a charity of the year, and have partnered with EGG: Engage, Grow, Go – a charity which focuses upon innovative person centred approaches to homelessness and rough sleeping helping people back into employment and/or accommodation. A colleague-led Charity Committee drives our charitable activities and in FY2022 a group of colleagues took on 'Tough Mudder', raising over £2,000. We have also had bake sales, raffles and sponsored events to raise money for EGG. We will choose another charity for FY2023/24 in the summer.

In our wider commitment to support charities, after involving staff in hack-a-thon style events, we built and launched 'pennies' on our web store. This popular functionality allows customers to round up the purchase price on out store and donate the increment to charity; every small amount counts.

Chief Financial Officer's review

Given its unique circular economy model and consumer and societal trends, the Group has significant growth potential.

Matthew Fowler
Chief Financial Officer

Chief Financial Officer's review continued

Revenue and gross profit

Group revenue for the year ended 30 November 2022 was relatively stable at £145.3m (2021: £145.6m). Consumer Technology growth of £10.5m almost entirely mitigates the declining revenues from Disc Media and Books of £10.8m. Gross margin for the Group was 26.3% (2021: 30.4%). The year-on-year reduction reflects both a change in mix toward Consumer Tech and a reduced gross margin for this segment owing to a greater use of third-party platforms and more cost on sourced product.

Revenues for the musicMagpie brand which primarily trades in the UK were £110.2m (2021: £115.4m), with £4.5m or 6.5% growth in Consumer Technology unable to fully offset the declining revenues from Disc Media and Books. In the US decluttr revenues were £35.0m (2021: £30.1m). Significant growth was seen on third-party platforms, with increased focus and product range on Amazon and eBay and the addition of Back Market which contributed the second half of the year. The sales decline in Disc Media and Books in the US was less marked than the UK at £1.3m, or 8.7%.

Consumer Technology

Consumer Technology revenue increased by 12.2% to £96.6m (2021: £86.1m) and now represents the dominant category in the Group with 66% of total revenues. The rental business grew from £1.8m to £5.3m as active renters increased from 13,500 to 30,500 at the year end. At £5.3m of sales and with gross margin of 78.7%, which excludes write offs and impairments, the rental business is now a material and growing contributor to the Group.

Outright sales grew from £84.2m to £91.2m, or 8.3%, and the majority of this growth came from third-party platform sales. With the addition of Back Market in April 2022 to Amazon and eBay, the Group had three platforms to maximise selling opportunities and take advantage of various alternating promotions and platforms focus. While selling via the platforms incurs a commission, they allow the Group to reduce its own marketing costs and leverage the platforms spend and brand awareness. Post year end the Group added Walmart to its global platform partnerships. Gross margin for Consumer Technology was 20.9% (2021: 24.7%). The positive impact of an increasing mix of rental within the category has been unable to offset the reduction owing to the cost increases in sourced product seen at the end of 2021. Since the start of 2022 the traded margins in the segment have remained fairly constant and with buying through kiosks and growing rental, the expectation is that margin should increase slowly over time.

Disc Media and Books

Revenue for the year was £48.7m (2021: £59.5m). The 2021 comparative includes periods that benefitted from Covid-19 lockdowns and does not give a true reflection of revenue performance. Comparing the 2021 H2 revenue of £26.4m to the H2 revenue from 2022 of £23.6m gives a more reflective decline rate for the segment of around 10.6%. The category is declining mainly owing to the continued reduction in the purchase of both new and second-hand physical media as consumers increasingly consume content in different ways, for example streaming. Gross margin remains resilient at 36.9% (2021: 38.7%).

	2022	2021	Movement
Revenue	**145.3**	145.6	—
Consumer Technology	**96.6**	86.1	12.2%
– Outright Sales	**91.2**	84.2	8.3%
– Rental Income	**5.3**	1.8	300.0%
Disc Media & Books	**48.7**	59.5	-18.2%
Gross Profit	**38.1**	44.4	-14.2%
– Consumer Technology	**20.9%**	24.7%	—
– Disc Media & Books	**36.9%**	38.7%	—
Adjusted EBITDA[1]	**6.5**	12.2	-46.7%
Loss before tax	**(1.5)**	(14.8)	—
Net cash from operations	**6.2**	2.6	-78.3%

1. Adjusted EBITDA is a non-GAAP alternative performance measure. See note 28 to the financial statements for further definition and reconciliation.

	2022	2021
Net cash from operations	**6.2**	2.6
Acquisition of PPE		
– Rental assets	**(6.6)**	(3.7)
– Other	**(3.1)**	(0.7)
Development costs	**(4.6)**	(2.8)
Cash outflow from investing	**(14.2)**	(7.2)
Net loan drawings	**13.5**	1.0
Interest and lease	**(1.6)**	(3.0)
Other	**0.1**	4.3
Cash flow from financing	**11.9**	2.3
Cash increase/ (decrease)	**3.9**	(2.3)
FX	**0.1**	—
Cash carried forward	**6.8**	2.8
Net (debt)/ cash	**(7.9)**	1.8

Chief Financial Officer's review continued

Revenue

£145.3m

Adjusted EBITDA[1]

£6.5m

Adjusted EBITDA[1]

Gross profit was £38.1m (2021: £44.4m). Operating Expenses excluding depreciation, amortisation and share-based payments were £31.6m, (2021: £32.2m) with the reduction owing to cost control, especially with marketing where a greater mix of platform sales allows for lower spend overall. Adjusted EBITDA was therefore £6.5m (2021: £12.2m).

Below EBITDA the main cost items relate to non-current assets: Depreciation increased to £3.9m (2021: £1.8m) with rental assets being £2.4m (2021: £0.5m) of the total charge and £1.9m of the increase year on year. Rental assets are depreciated on a reducing balance basis at 33% per year and the increased rental depreciation is simply a factor of the increased cost of assets invested into rental. Impairment charges relate to the rental business that experiences an element of loss of devices out on rent. The increase in impairment to £0.8m (2021: £0.4m) is reflective of the growth in the rental business. There are a number of recovery steps the business takes to recover devices and manages to a rate of around 10% of revenues (2021: 10%).

Amortisation was £1.9m (2021: £1.5m) with the increase on capitalised IT development costs where the Group has increased the number of active IT projects to remain innovative and effective in the market place. Share-based payment charges of £0.2m (2021: £17.4m) relate to Sharesave open to all employees and an LTIP issued to certain senior managers during the year: the large 2021 charge was an exceptional item related to AIM IPO.

1. Alternative performance measure see note 29.

Non-underlying items

The Group entered into forward purchase contracts during the spring of 2022 to acquire electricity at a range of fixed prices for up to three years. The purpose of these contracts was to provide certainty of future pricing for the Group and this has been achieved by securing supply prices at broadly the same levels as seen in the year to November 2022. Under IFRS accounting the value of these contracts has been marked to the external market price of electricity at 30 November 2022. As the contracted price that electricity will be supplied is below the external market price, an asset has recorded and a gain reported as non-underlying in the income statement. The £1.1m gain will reverse over time as the electricity units are consumed or if the market price of electricity falls.

During the year the Group incurred a number of expenses that have been treated as non-underlying in line with historic treatments, or because they are large and one-off in nature. These costs include dual running IT costs £0.9m (2021: £0.2m), Covid-19 costs of £0.2m (2021: £nil) and £0.2m (2021: £nil) of a tax settlement relating to a pre-Brexit tax structure.

The Operating loss for the year was £0.5m (2021: £13.5m loss) and after interest costs of £0.9m (2021: £1.3m) the statutory loss before tax was £1.5m (2021: £14.8m). The taxation charge in the period was £3.3m (2021: £2.7m credit) and is owing to the change in value of the share-based payments deferred tax asset on the balance sheet. The loss after taxation was £4.7m (2021: £12.1m) and a basic loss per share of 4.8p (2021: 12.7p).

Net assets and cash flow

Non-current assets increased from £21.1m to £28.9m. The increase is mainly owing to the increase in rental assets, £3.8m. In addition there was a growth in both non-rental fixed assets of £1.8m related to the kiosk programme, a new property lease in the UK £2.0m and in capitalised development costs of £3.0m as we continue to progress upgrades and enhancements to our IT platforms. Deferred tax assets reduced from £5.3m to £1.9m as share-based items were re-valued using the share price at the balance sheet date.

When a device is booked out to rental, the item is transferred from inventory to non-current assets for the duration of the rental term. The value of rental assets on the balance sheet is £6.6m, this represents 30,500 devices that are contracted to come back into the business for outright sale or further rental. Net debt at the balance sheet date was £7.9m (2021: £2.0m net cash) and bank reported net debt, which ignores unamortised deal fees of £0.3m, was £8.2m giving a covenant leverage figure of 1.3. The retained loss for the period was £4.6m (2021: £12.1m) and net assets reduced from £24.3m to £19.5m.

Net cash generated from operating activities was £6.2m (2021: £2.6m). Despite a lower EBITDA for the period, there was a £1.0m cash inflow on working capital which compares to the £4.9m outflow in 2021. The reversal in working capital cash flows is owing to tighter control around year end, helped by a very strong end to Black Friday week. Adjusted operating cash flow calculated as Adjusted EBITDA less movements in working capital, was £7.6m (2021: £7.3m) giving a cash conversion ratio of 117% (2021: 60%) and demonstrates the ability of the business to generate positive cash flows before investing activities. Cash outflows on investing activities was £14.2m (2021: £7.2m). The biggest single cash cost was the acquisition of rental assets of £6.6m (2021: £3.7m). The increase in expenditure has supported the growth in the rental book to 30,500 (2021: 13,500) active payers at the year end.

Capitalised development expenditure of £4.6m (2021: £2.8m) reflects the full year impact of scaled up IT teams over recent periods to both retain our technological advantage and accelerate our strategic initiatives. We expect this cost to reduce gradually over the forthcoming year. Capital expenditure was £3.1m (2021: £0.7m) with approximately £2.0m of the increase year on year being the cost of installing the SMARTDrop kiosks in Asda stores.

In July 2022 the Group refinanced its existing £10m credit facility replacing it with a £30m committed revolving credit facility with HSBC UK and NatWest. The initial term is three years, with the potential to extend for a further 12 months. The main financial covenants on the lending are that leverage (EBITDA to net debt) shall be less than 2.5 times and that interest cover (EBITDA divided by interest) shall be greater than four times. The facility provides the Group with the ability to grow the rental business. By changing the rate of growth of the rental book there is an immediate impact on cash and therefore on the facility's financial covenants. The rate of growth of rental is an effective tool to manage the financial covenants of the facility.

Matthew Fowler
Chief Financial Officer
7 March 2023

Principal risks and uncertainties

How we manage risk

The Group's strategic objectives can only be achieved if certain risks are taken and managed effectively.

The Group records risks using the following risk management model that is centred around a corporate risk register.

The Board has overall responsibility for determining the Group's risk appetite in delivering the strategy as set out on pages 12 to 15. The Board is also responsible for ensuring there is an effective risk management framework aligned to our objectives.

The executive Team, Audit Committee and Board review risks which could affect the Group throughout the year.

Risk and issue tracking systems are reviewed on a regular basis, to ensure that the framework is in line with good practice in risk management and that agreed mitigation plans are being followed. In determining the relative importance of risks in our business, we use a scoring mechanism to identify the likelihood of a risk crystallising and the impact this would have on the achievement of our strategic objectives, assuming that no controls are in place (inherent risk score). The table presented here outlines the most significant risks that may affect our business, together with relevant key controls and mitigating factors. The list does not detail all risks faced by the Group and is not presented in priority order.

Risk framework

Board

Chief Executive Officer	Nomination Committee	Remuneration Committee	Audit Committee

First line of defence	Second line of defence	Third line of defence
Business Operations • Internal controls • Management and colleagues	**Oversight** • Financial management • Risk management • H&S • IT Security	**Independent assurance** • External audit

Risk	Description and impact	Mitigating controls	Risk movement
Strategic			
Reputation and trust A	Loss of consumer confidence and trust in the Group's brand, reputation and quality of the products it sells could negatively impact the Group's business, revenue and financial condition.	Preserve a high level of customer service by monitoring and dissecting all feedback received, implementing learnings where required, to promote positive experiences which feed through to the Group's feedback on third-party websites and review sites.	←→
Rental strategy B	The Board develops the wrong strategy or fails to implement strategy effectively. Loss of revenue and profit. Loss of brand value and reputation.	The Board reviews KPIs and performance on the rental assets monthly. The Board receives regular updates on the external market and the performance and behaviours of competitors.	↑
Competition C	Failure to compete with new or increased competition could negatively impact the Group's market share as it loses existing customers and fails to attract new ones.	The Group needs to ensure it can maintain a high standard across factors such as quality, customer service, range of products, price, product availability and innovation. Our trust and technology credentials provide a meaningful barrier to entry into the sectors that the Company operates in. Innovation in product and services such as Rent-a-Phone and SMARTDrop kiosks, both of which require significant investment, are designed to maintain a competitive edge.	←→

Principal risks and uncertainties continued

Risk	Description and impact	Mitigating controls	Risk movement
Strategic continued			
Financial position D	Growing the rental model requires significant capital investment. Failure to secure sufficient capital may undermine the ability to grow the revenue stream.	Business entered a new £30m committed RCF in July 2022. The Board reviews cash forecasts monthly and has deep dives on a periodic basis on the assumptions and underpinnings. The Board reviews options for alternative financing solutions and actively explores different funding routes for the rental model.	↑
Operational			
Proprietary software and technological change E	As an e-commerce operator, the Group is dependent on its proprietary software and its websites. The technology requires improvement and enhancement to remain competitive. Failure to invest in this infrastructure in a timely manner will impact the ability of the Group to meet the needs of its customers and thus its commercial goals.	Business continuity arrangements are in place including the daily replication of key databases and the use of a high-quality cloud-based infrastructure. Continuous monitoring systems and automated alerts highlighting points of failure are set across the infrastructure. Development teams continually focus on platform and technology modernisation by reference to customer needs. Development and updates are prototyped and tested in control environments before release.	←→
Third-party systems and services F	The Group is becoming more reliant on third parties for various functions across the business including logistics, third-party platforms and payment systems, product and image catalogues, and onboarding and processing of rental contracts.	Service level agreements in place with assurance obtained over quality and continuity of service. Ongoing monitoring and review of: • supplier performance with multiple providers used where possible to reduce single dependency; and • third-party sales platform performance ensuring metrics are met to avoid suspension.	↑
IT cyber security and data protection G	The Group has to meet a number of regulatory and contractual obligations with the collection, processing and storing of data as well as ensuring that there is an appropriate level of cyber security in the business. Failure to comply with these obligations will damage the trust of our stakeholders.	Reliance on encryption and authentication technology licensed from third parties to securely transmit sensitive and confidential information. Use of password policies and firewalls to protect the security, integrity and confidentiality of sensitive and confidential information. Removal of data stored on consumer technology product handled using a recognised ADISA software programme. Colleague training to highlight risks and promote safe practices. Dedicated Head of Information Security in place to manage data protection activities.	←→
FCA authorisation H	Failure by Entertainment Magpie Limited to maintain FCA authorisation. This is important for offering credit hire agreements regulated by the Consumer Credit Act under the rental proposition as well as credit brokering Buy Now, Pay Later payment options.	Ensure FCA authorisation is maintained through good working practices, adherence to laws and maintenance of reporting requirements. The Company has engaged with a third-party legal consultancy firm to support in the completion of regulatory returns, compliance reviews and monitoring, FCA updates and horizon scanning, and training for colleagues handling regulatory activities.	←→

This Strategic Report was approved on behalf of the Board on 7 March 2023.

Steve Oliver
Chief Executive Officer, 7 March 2023

Board of Directors

Steve Oliver

Chief Executive Officer and Co-Founder

Steve Oliver was appointed to the Board on 7 December 2020. He graduated from The University of Sheffield in 1992 with a degree in Psychology. In September 2000, Steve joined Music Zone Services Limited ('Music Zone'), firstly as Finance Director, but shortly after becoming Managing Director, a role he held until 2007. He then briefly held the role of Interim Managing Director at Famous Retail Limited, a sports memorabilia retailer, before founding musicMagpie later that year. In March 2008, he was appointed Managing Director of TFS Buying Limited (trading as The Fragrance Shop), which he left in late 2009 to focus on the Group full time.

Matthew Fowler

Chief Financial Officer

Matthew Fowler was appointed to the Board on 20 April 2022. Prior to joining the Group he was CFO at genedrive plc, an AIM-quoted molecular diagnostics company. Matthew spent eight years as Group Financial Controller of Scapa Group plc, an AIM-quoted multinational manufacturing business. He previously spent three years at British Nuclear Group as Finance Manager, having trained and qualified in the audit department of Deloitte & Touche.

Martin Hellawell

Non-Executive Chair

Martin is Chair of London Stock Exchange-listed FTSE 250 company Softcat plc, a leading UK provider of IT infrastructure technology and services. He previously spent 12 years as Chief Executive and Managing Director during which he led the company through a highly successful IPO and its first two years as a public limited company. Martin is also Chair of Raspberry Pi Trading Limited, a subsidiary of the Raspberry Pi Foundation, a UK-based charity that works to put the power of computing and digital making into the hands of people all over the world. He is also a Non-Executive Director and Senior Independent Director at Team17 Group plc. In 2016, Martin was named UK Tech CEO of the Year at the UK Tech Awards.

Alison Littley

Non-Executive Senior Independent Director

Alison is a Non-Executive Director at Xaar plc and Norcros Plc and Chair of their Remuneration Committees. She is also Non-Executive Director of Eurocell plc. In her executive career, Alison held a variety of senior management positions in Diageo plc and Mars Inc, and was Chief Executive Officer at Buying Solutions, an agency to HM Treasury. Alison has substantial experience in multinational manufacturing and supply chain operations, and a strong international leadership background of building effective management teams and third-party relationships.

Dave Wilson

Non-Executive Independent Director

Dave is Non-Executive Chair of LBG Media plc. He was previously CFO and COO of GB Group plc, the global identity data intelligence specialist, and stepped down in June 2021 after 12 years. Dave has a strong background in managing business growth, previously holding international and operational board level positions with companies including Envirofone.com, Codemasters, Fujitsu and Technology plc.

Our Committees:

Chair | A Audit | N Nomination | R Remuneration

Essential skills and experience our Board delivers:

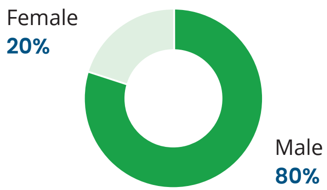
	Brand/consumer	Financial	Digital	plc	International	Independent?
Martin Hellawell	✔		✔	✔	✔	✔
Steve Oliver	✔		✔		✔	
Alison Littley	✔		✔	✔	✔	✔
Dave Wilson	✔	✔	✔	✔	✔	✔
Matthew Fowler		✔		✔	✔	

Board tenure

(includes pre IPO tenure)

0–1 year:	1
2–4 years:	3
5+ years:	1

Board gender diversity (%)



Chair's introduction to governance

Corporate governance is central to the way our Board operates.

Martin Hellawell
Non-Executive Chair

Dear shareholder,

I am pleased to introduce the Corporate Governance Statement as Chair of the Board of Directors of musicMagpie plc for the year ended 30 November 2022.

Our Board recognises the important role a robust governance framework plays in the successful delivery of our long-term strategy and we continue to adopt the Quoted Companies Alliance's Corporate Governance Code for Small and Mid-Size Quoted Companies (the 'QCA Code'). We believe we are compliant with the QCA Code having regard to the Company's size, Board structure, stage of development and resources. This report describes our approach to governance, including information on relevant policies, practices and the operation of the Board and its Committees.

Role of the Board

The Board is responsible to the shareholders and sets the Group's strategy for achieving long-term success. The Board is also ultimately responsible for establishing the Group's governance structure, the effectiveness of internal controls, risk management, and the direction of the Group. Day-to-day responsibility for running the business is delegated to the executive and SLT. Matters reserved for the decision of the Board include, but are not limited to:

- approving the Group's strategic aims and objectives;
- reviewing performance against the Group's strategic aims, objectives and business plans;
- overseeing the Group's operations and ESG matters;
- approving changes to the Group's capital, corporate, management or control structures;

Chair's introduction to governance continued

Role of the Board continued

- approving results announcements and the Annual Report and Financial Statements;
- approving the dividend policy;
- declaring the interim dividend and recommending the final dividend and any special dividend;
- approving any significant changes in accounting policies;
- approving the treasury policy;
- approving the Group's risk appetite and principal risk statements;
- reviewing the effectiveness of the Group's risk and control processes;
- approving major capital projects and material contracts or arrangements;
- approving all circulars, prospectuses and admission documents;
- ensuring a satisfactory dialogue with shareholders;
- establishing Board Committees and approving their terms of reference;
- approving delegated levels of authority;
- approving changes to the Board and its Committees;
- determining the remuneration policy for the Directors and other senior executives;
- providing a robust review of the Group's corporate governance arrangements; and
- approving all Board mandated policies.

Effectiveness and composition

Board effectiveness has been reviewed during the year through an internal process using confidential questionnaires. I am pleased to confirm that the review found that the Board is operating well, and the balance is correct between being supportive and providing appropriate challenge.

This year we welcomed Matthew Fowler to the Board in April 2022 and have quickly felt the benefit of his experience and input. Otherwise, the Board's composition has remained unchanged.

The Board continuously evaluates the balance of skills, experience, knowledge and independence of the Directors. It ensures that all new Directors receive a tailored induction programme and the Board scrutinises its performance through an annual effectiveness review. Profiles of the skills and experience of the Directors are included in their biographical details on page 29.

Board members and attendance

	Meeting/ attendance
Martin Hellawell (Chair)	8/8
Alison Littley	8/8
Dave Wilson	8/8
Steve Oliver	8/8
Matthew Fowler	5*/5

* Appointed 20 April 2022.

The following other attendees regularly attend meetings:

- the Chief Operating Officer; and
- members of the SLT.

Division of responsibilities

The Chair is responsible for leadership and effectiveness of the Board. The Chief Executive Officer is responsible for delivering the strategy and commercial objectives agreed by the Board. There is a clear division of responsibility between the Chair and the CEO and this ensures a balance of authority and power between the Board leadership and executive leadership.

Board meetings

The Board meets on a regular basis throughout the financial year and as required on an ad hoc basis with a mandate to consider annual budgets, strategic goals, operations, ESG matters, and financial performance. In advance of each meeting, the Chair of the Board sets the agenda, with assistance of the Company Secretary. The annual agenda is designed to ensure that a number of strategic issues are covered during the cycle and that the Board provides due attention to all relevant matters for the Group.

Directors are provided with appropriate and timely information, including Board papers distributed in advance of the meetings. Those papers include reports from the executive team and other members of the SLT, who also attend the meetings from time to time.

Matthew Fowler acts as the Company Secretary and is supported in this role by external advisers who provide support when needed on corporate governance matters. The Company Secretary produces full minutes of each meeting, including a log of actions to be taken; the Chair of the Board then follows up on each action at the next meeting, or before if appropriate.

Board Committees

The Board has delegated specific responsibilities to the Audit, Remuneration and Nomination Committees. Each Committee has written terms of reference setting out its duties, authority and reporting responsibilities.

The Audit Committee is chaired by Dave Wilson. The Audit Committee has primary responsibility for assisting the Board in the fulfilment of its obligations regarding the monitoring of the effectiveness of the Group's risk management and internal control system; reviewing the integrity of the Group's interim and full year financial statements; and assessing the scope, effectiveness and independence of the external Auditors. Report on pages 34 and 35 contains more detailed information on the Committee's role.

The Remuneration Committee is chaired by Alison Littley and reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee Report on pages 36 to 39 contains more detailed information on the Committee's roles and the Directors' remuneration.

The Nomination Committee is chaired by me and during the year oversaw the recruitment and appointment of Matthew Fowler.

Annual General Meeting

The Annual General Meeting of the Company will take place on 18 May 2023. Consistent with the AGM held in May 2022, all Directors will be submitted for re-election. If you have any questions for the Board on the business of the meeting, please send them in advance of the Annual General Meeting to investorrelations@musicmagpie.com. We will aim to respond to questions as quickly as possible. A summary and key themes of the questions and answers will be posted on our website, www.musicmagpieplc.com.

M.J.Hellawell

Martin Hellawell
Chair
7 March 2023

Chair's introduction to governance continued

Governance framework

Board

One Non-Executive Chair

Two Independent Non-Executive Directors

Two Executive Directors

Responsibilities
- Providing strategic leadership
- Setting the overall direction of the Company and driving performance
- Ensuring an appropriate framework of controls exists which allows for the identification, assessment and management of risk
- Ensuring Group compliance with all its contractual, statutory and other legal obligations, as well as the requirements of any regulatory body
- Setting the Group's culture and values

Board Committees

Audit Committee
One Non-Executive Chair

Two Independent Non-Executive Directors

Responsibilities:
- Ensuring that the financial performance of the Group is properly measured and reported
- Monitoring the quality of internal controls
- Assisting the Board in the oversight of financial reporting

Nomination Committee
One Non-Executive Chair

Two Independent Non-Executive Directors

Responsibilities:
- Reviewing Board structure
- Considering succession planning
- Appointing and onboarding new Executive Directors

Remuneration Committee
One Non-Executive Chair

Two Independent Non-Executive Directors

Responsibilities:
- Setting the remuneration policy of the Group
- Applying the remuneration policy
- Reviewing the performance of the Executive Directors and Chair

Senior Leadership Team ('SLT')

The executive team is supported in day-to-day management of the business by the SLT. It deals with the executive business not specifically reserved for the Board.

- Chief Executive Officer
- Chief Operating Officer
- Chief Commercial Officer
- Chief Marketing Officer
- Chief Customer Officer
- Chief Financial Officer
- Chief Technology Officer
- Chief People Officer
- Chief Sustainability Officer

Chair's introduction to governance continued

QCA Corporate Governance Code

Principles	Compliance	Further information
Deliver growth		
Establish a strategy and business model which promote long-term value for shareholders	✓ The strategy for the Group is set by the Board and actively tracked and debated by the Directors	• Our strategy and business model is contained on pages 6 and 12 • A review of performance against the strategy can be found on page 8
Seek to understand and meet shareholder needs and expectations	✓ Regular meetings are held with investors. Our AGM provides an opportunity for all shareholders to meet with our Directors	• See page 17 for information on our shareholder communications • We also publish information on www.musicmagpieplc.com
Take into account wider stakeholder and social responsibilities and their implications for long-term success	✓ The Board has identified the main stakeholders and regularly discusses with suppliers, employees and platforms. We take our responsibilities seriously and strive to enhance our environmental and social credentials	• See pages 16 and 17 for how we collate and respond to stakeholder needs and priorities • See page 23 for how we responded and raise cash for charity
Embed effective risk management, considering both opportunities and threats, throughout the organisation	✓ The Board and Audit Committee review risks regularly. Risks are collated from the bottom up and we seek all our colleagues to manage risk effectively	• Main risks are highlighted on pages 27 and 28 • Risk management summary can be found on page 27
Maintain a dynamic management framework		
Maintain the Board as a well-functioning, balanced team led by the Chair	✓ Our Board has a wide experience and a breadth of skills. Board meetings promote debate and management is actively challenged	• Directors' details and biographies are on page 29 • The Corporate Governance Framework on page 32
Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	✓ The Board's adequacy is assessed annually. Individual development needs are discussed with the Chair as and when required	• The Directors' have a broad set of experience directly suited to the Group, see Director details on page 29
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	✓ Annual effectiveness and Chair reviews performed	• Review was successfully completed in the year and there were no significant outcomes to note
Promote a corporate culture that is based on ethical values and behaviours	✓ Magpie values underpin everything we do	• Sustainability Report pages 18 to 21 • Community Report page 23
Maintain governance structures and processes that are fit for purpose and support good decision making by the Board	✓ The Board has established a clear structure of delegated authorities and Committees to make well informed and properly debated decisions	• More detail on governance structure can be found on page 32
Build trust		
Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	✓ We communicate with a range of stakeholder ✓ Employees are consulted on a range of topics ✓ We engage actively with our suppliers and platforms	• Sustainability Report page 18 • Corporate Governance Statement page 30 • See the Audit Report on page 34 • Relevant information on www.musicmagpieplc.com

Audit Committee report

I am pleased to present the report of the Audit Committee for the year ended 30 November 2022, being the Group's first full year on the Alternative Investment Market. The Directors' Responsibility Statement in respect of the Annual Report can be found on page 41.

In this report I have sought to provide stakeholders, including existing and prospective shareholders, with an understanding of the approach we have taken to provide assurance on the integrity of the 2022 Annual Report and how we have supported the Board in matters relating to financial reporting, internal controls and risk management.

The Board asks the Audit Committee to advise on whether the Annual Report, when taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Management provides regular reports to the Committee covering the key areas of estimation and judgement underpinning the financial statements. The Committee's role is to ensure that management's disclosures reflect the supporting information. The external auditors support the Committee in this role. The external auditors, through the statutory audit, review the accounting records kept by the Company to test whether information is being recorded in line with agreed accounting practices. The external auditors present their findings from the annual review to shareholders and their report is set out in the Independent Auditors' Report. The Committee reports its findings and makes recommendations to the Board accordingly.

The Committee is responsible for ensuring that the relationship between the Committee, the external auditors and management is appropriate. The external auditors must be independent of the Company. Information on how the Committee assesses the independence of the external auditors is set out in the Audit Committee Report presented here.

We continue to be committed to providing meaningful disclosure of the Committee's activities as well as ensuring the Committee's agenda is kept under review and that we maintain an awareness of relevant developments. The effectiveness of the Committee is challenged in each meeting and is subject to formal review by the Board annually.

The following Audit Committee Report was approved by the Committee at its meeting held on 22 February 2023.

I will be available to answer any questions in relation to this Audit Committee Report before the Annual General Meeting.

Dave Wilson

Dave Wilson
Chair of the Audit Committee
7 March 2023

Main responsibilities of the Audit Committee

- Monitoring and reviewing the Group's financial statements and announcements relating to financial performance, including reporting to the Board on the significant issues considered by the Committee in relation to the financial statements, how these were addressed, and whether the financial statements are fair, balanced and understandable
- Reviewing the Group's risk profile, and the effectiveness of the risk management systems and internal controls covering key areas
- Overseeing the scope and results of the annual external audit and reporting to the Board on the effectiveness of the audit process and how the independence and objectivity of the auditors have been safeguarded
- Reviewing significant legal and regulatory matters
- Reviewing matters associated with the appointment, terms, remuneration, independence, objectivity and effectiveness of the external audit process and reviewing the scope and results of the audit
- Reporting to the Board on how the Committee has discharged its responsibilities

A summary of how the Audit Committee applies the Group's governance principles can be found on www.musicmagpie.com.

Audit Committee report continued

In the following sections we explain how the Committee fulfils its responsibilities and highlight matters which have been addressed during the course of the year.

Activities during the year

During the year the Committee met two times and undertook the following activities:

Governance

- Reviewed the Audit Committee's terms of reference
- Checked at each Committee meeting individual Directors' conflicts of interest
- Reviewed the internal controls of the business
- Considered the performance of the Committee as an ongoing activity

Financial statements and reports

- Reviewed the significant issues and key accounting judgements, in relation to the financial statements and how these have been addressed, including:
  - accounting treatment of rental assets;
  - capitalisation of development costs; and
  - useful economic lives of rental assets.
- Advised the Board that, taken as a whole, the Annual Report and Accounts is fair, balanced and understandable
- Reviewed the interim financial statements and related statements and reviewed and considered key accounting judgements

From the reviews there were no items of judgements or uncertainty that are expected to unduly impact the accounts over the forthcoming accounting period.

External auditors and auditors' independence

- Monitored the independence and objectivity of the external auditors
- Reviewed and approved the scope and methodology of the external audit strategy for 2022
- Asked the auditors to disclose any conflicts or material relationships that may be thought to impact on their objectivity

Going concern

The Committee reviewed papers prepared by management covering the trading and cash flow forecasts for the 12-month period from the date of approval of the financial statements. Having reviewed the inclusion of reasonable downside sensitivities, it satisfied itself that the Group will be able to continue to meet quarterly covenant tests and remain within the borrowing limits by reference to its bank facility agreement. Accordingly, the Committee concluded that it was appropriate to produce the accounts on a going concern basis.

Committee members and attendance

The Committee met three times during the year and has a programme of business reflecting the Committee's terms of reference.

	Meeting attendance
Dave Wilson (Chair)	3/3
Alison Littley	3/3
Martin Hellawell	3/3

The following other attendees regularly attend meetings:

- the Executive Directors;
- the Chief Operating Officer; and
- representatives from the external auditors, RSM UK Audit LLP.

The Committee reviews whether a meeting without management is required at each meeting.

The Chair also meets with the executive team and RSM UK Audit LLP outside of formal Committee meetings to discuss matters falling within the Committee's terms of reference.

The members of the Committee are all Independent Non-Executive Directors. The skills and qualifications of the Committee members are outlined in the skills matrix on page 29. The Board is satisfied that the Committee has competence relevant to the sector within which the Group operates and reviews the effectiveness of the Committee annually. The Chair previously served as Group Finance and Operations Director of GB Group plc and prior to this held a number of senior finance roles. The Board is satisfied he has recent and relevant financial experience for the role.

External auditors reappointment

RSM UK Audit LLP commenced their appointment as auditors and presented their first report to shareholders for the year ended 30 November 2019. Alastair Nuttall has completed two years as lead audit partner, covering the two accounting year ends since IPO.

During the year RSM proposed a significant fee increase, which would take the fee from £152,000 in 2021 to £177,000 in 2022, an increase of 16.4%. This increase is attributed to external factors in the audit market resulting in an increase in cost of delivery. The Committee approved the proposed fee for 2022 with the commitment from RSM to work with management to identify efficiencies in the audit approach that could mitigate any further fee increases into 2023.

The Committee recommended to the Board that RSM UK Audit LLP be proposed for reappointment at the forthcoming AGM on 18 May 2023. There are no contractual obligations that restrict the Committee's choice of external auditors, the recommendation is free from third-party influence and no auditor liability agreement, in accordance with Sections 534–538 of the Companies Act 2006, has been entered into.

Dave Wilson

Dave Wilson
Chair of the Audit Committee
7 March 2023

Remuneration Committee report

I am pleased to present this remuneration report that sets out the remuneration policy and remuneration paid to the Directors for the year.

Annual Statement

Dear Shareholder

On behalf of the Remuneration Committee, I am pleased to present the Remuneration Committee Report for 2022. To enable shareholders to understand and consider our remuneration arrangements we provide disclosures in addition to those required by AIM Rule 19. In keeping with our previous approach and in line with best practice, we will also voluntarily submit this report to an advisory shareholder vote at our Annual General Meeting on 18 May 2023.

The report is divided into three sections, the Annual Statement, a summary of the Directors' remuneration policy and our Annual Report on Remuneration for the year ended 30 November 2022.

Remuneration outcomes for FY2022

The 2022 annual bonus was operated against sliding scale targets based on EBITDA and PBT. As the performance of the Group fell below the threshold profit level, no bonuses were awarded for the year ended 30 November 2022. In August 2022 the Group issued a second Save As You Earn share scheme to promote employee share ownership. Both Executive Directors participated in the scheme and the details can be found in the Remuneration Committee Report presented here.

Remuneration for FY2023

No increases in base salary will be awarded to the executives in FY2023. From May 2022 to October 2022 Steve Oliver elected to forgo £8,333 a month of his annual salary. From 1 December 2022 he has elected to forgo £5,833 from his monthly salary, which will be reviewed during the financial year.

In respect of performance-related remuneration, the Committee's policy is to grant annual share awards under the LTIP to Executive Directors over shares worth up to 100% of salary per annum. Such long-term awards are seen as key to achieving sustainable earnings growth, in addition to supporting the retention and share ownership of Executives Directors. Owing to the impact of dilution on the number of awards that would normally be issued under the long-term incentives, the Committee has decided not to grant share awards to Executive Directors in the normal 42-day window following the announcement of the annual results. Indeed the Committee has not made a commitment to issue any long-term awards for the year 2023. The Committee will continue to review dilution and the current approach throughout the year. Given the decision not to grant LTIP awards to Executive Directors at the current time, the Committee decided to set the maximum award available under the annual bonus scheme at 150% of salary for FY2023 only, albeit with an additional level of stretch in the profit targets. The Committee will continue to exercise discretion to ensure any bonus awards paid will reflect the broader stakeholder experience in the financial year.

Alison Littley
Chair of the Remuneration Committee
7 March 2023

Directors' remuneration policy (the 'Policy')

This part of the Remuneration Committee Report sets out a summary of the Policy. In order to deliver the Group's strategy, the primary objectives of our Policy are:

- to have a transparent, simple and effective remuneration structure which encourages the delivery of Group targets in accordance with our business plan;
- to motivate and retain people of the highest calibre by providing appropriate short and long-term variable pay which is dependent upon challenging performance conditions;
- to promote the long-term success of the Group and ensure that our Policy is aligned with the interests of, and feedback from, our shareholders; and
- to have a competitive remuneration structure which will attract new appropriately skilled executives to complement our teams worldwide.

The Remuneration Committee follows the principles of good corporate governance in relation to the structure of its remuneration policy and, accordingly, takes account of the QCA Corporate Governance Code as adopted by the Board.

Remuneration Committee report continued

Directors' remuneration policy table

Component	Purpose and link to strategy	Operation	Maximum	Performance
Base salary	To provide a competitive and fixed base remuneration. To attract, motivate and retain Directors with the experience and capabilities to achieve the strategic aims.	Reviewed annually after considering pay levels at comparably sized listed companies and sector peers; the performance, role and responsibility of each Director; the economic climate, the market conditions and the Company's performance; and the level of pay across the Group as a whole.	Not applicable.	None.
Benefits	To provide a market-competitive benefits package.	Offered in line with market practice, and may include a car allowance and private medical, income protection and death in service insurance.	Not applicable.	Not applicable.
Pension	To provide an appropriate level of benefits that allow for retirement planning.	Workforce aligned pension provision, which permits a Company contribution into a defined contribution pension scheme.	Limited to that available to the wider workforce which is currently 3% of qualifying earnings.	Not applicable.
Annual bonus	To reward performance against annual targets which support the strategic direction of Group.	Awards are based on annual performance. 50% of any bonus award will normally be deferred into shares for three years.	100% of salary (normal annual limit) or 150% of salary (in exceptional circumstances).	Sliding scale financial targets.
LTIP	To drive and reward the achievement of longer-term objectives to deliver sustainable earnings growth. To support the retention and promote share ownership for Executive Directors.	Conditional shares and/or nil cost or nominal cost share options. Vesting is normally subject to the achievement of challenging performance conditions, normally over a period of three years. Dividend equivalents may be awarded to the extent awards vest. Awards may be subject to malus/clawback provisions at the discretion of the Committee.	100% of salary.	Performance metrics will be linked to financial and/or share price and/or strategic performance.
Share ownership guidelines	To increase alignment between Executive Directors and shareholders.	Executive Directors are expected to build a shareholding in the Group over time by retaining 50% of the net of share awards which vest.	Minimum of 100% of salary.	Not applicable.
Non-Executive Directors	To attract Non-Executive Directors with relevant experience and skills to oversee the development and implementation of the Group's strategy.	Fees are reviewed annually taking into account the level of responsibility and relevant experience. Fees may include a basic fee and additional fees for further responsibilities. Fees are paid in cash. Travel and other reasonable expenses incurred in the course of performing their duties are reimbursed.	There is no prescribed maximum. The Board is guided by general increases in the market for Non-Executive Director roles and the broader employee population.	Not applicable. Non-Executive Directors do not participate in variable pay arrangements.

Service contracts

The Chair and Non-Executive Directors do not have service contracts. Their appointments, dated 15 April 2021, will continue unless and until terminated by either party giving not less than three months' notice.

The service contract for the CEO will continue unless and until terminated by either party giving at least 12 months' notice. The date of the CEO's service contract is 15 April 2021.

The service contract for the CFO will continue unless and until terminated by either party giving at least 6 months' notice. The date of the CFO's service contract is 16 November 2021.

Remuneration Committee report continued

Annual Report on Remuneration

The Remuneration Committee presents the Annual Report on Remuneration, to be put to shareholders for an advisory vote at the Annual General Meeting to be held on 18 May 2023. The report includes details of the Committee and the pay the Board received during the year in accordance with our current remuneration policy.

Committee members and attendance

The Committee met three times during the year and has a programme of business reflecting the Committee's terms of reference.

	Meeting/ attendance
Alison Littley (Chair)	3/3
Dave Wilson	3/3
Martin Hellawell	3/3

The following other attendees regularly attend meetings:

- the Executive Directors;
- the Chief Operating Officer;
- the Chief People Officer; and
- representatives from the Committee's remuneration advisers, currently FIT Remuneration Consultants LLP.

The Committee reviews whether a meeting without management is required at each meeting.

Committee responsibilities

The Remuneration Committee is primarily responsible for reviewing the performance of the Executive Directors and determining their terms and conditions of service, including their remuneration. The Committee also determines the remuneration of the Chair and below Board senior management. The Committee meets at least twice a year.

Adviser to the Committee

External adviser FIT Remuneration Consultants LLP provided independent advice to the Committee during FY2022 having been appointed by the Committee during 2021. Advice was provided on market practice updates and benchmarking, and support provided to management with undertakings such as producing the Remuneration Committee Report. The fees paid to FIT Remuneration Consultants LLP for providing advice to the Committee in relation to Directors' remuneration were £6,700. FIT Remuneration Consultants LLP did not provide any other services to the Group during the year and the Committee is satisfied that the advice received was objective and independent. FIT is a member and signatory of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK, details of which can be found at www.remunerationconsultantsgroup.com.

Implementation of the Policy for the year ended 30 November 2022

This section of the Annual Report describes the operation of the remuneration policy during the year ended 30 November 2022. During this period, the Directors received the following remuneration and pension contributions:

Director		Salary or fees	Taxable benefits	Pension contributions	Annual bonus	Total
Executive Directors						
Steve Oliver	**2022**	**£308,333**	**£2,539**	**£6,790**	**—**	**£317,662**
	2021	£261,985	£1,524	£1,101	—	£264,610
Matthew Fowler*	**2022**	**£122,799**	**£759**	**£2,200**	**—**	**£125,758**
Non-Executive Directors						
Martin Hellawell	**2022**	**£100,000**	**—**	**—**	**—**	**£100,00**
	2021	£62,500	—	—	—	£62,500
David Wilson	**2022**	**£65,000**	**—**	**—**	**—**	**£65,000**
	2021	£40,625	—	—	—	£40,625
Alison Littley	**2022**	**£65,000**	**—**	**—**	**—**	**£65,000**
	2021	£40,625	—	—	—	£40,625

* From 20 April 2022. 2021 figures are from the point of IPO in April 2021.

From May 2022, Steven Oliver elected to forgo £8,333 of his salary each month. This amount has not been accrued and there is no expectation that this will be paid at a future date. Steven Oliver continues to take a reduced salary of £5,833 per month in FY2023 although he may change his election at any time. Effective from 1 December 2022 the Non-Executive Directors have elected to take a 20% reduction in fees for a period of up to six months, subject to regular review.

Remuneration Committee report continued

Annual bonus for FY2022

No annual bonuses were awarded to the CEO and CFO for the year ended 30 November 2022 as a result of threshold EBITDA and PBT targets not being met. Details of the targets are set out as follows:

Sliding scales	2022 Group EBITDA (70% of bonus)	% of base salary	2022 Group PBT (30% of bonus)	% of base salary
Below threshold: 0%	—	—	—	—
Threshold: 20%	**£13.3m**	7%	**£7.7**	3%
Target: 50%	**£14.5m**	35%	**£8.5m**	15%
Maximum: 100%	**£16.0m**	70%	**£9.4m**	30%

Share awards vesting in the year

No share awards vested during the year ended 30 November 2022 (year ended 30 November 2021 nil).

Long-term incentives granted during the year (audited)

Executive	Type of awards	Basis of award	Share price	Number of shares over which award was granted	Face value of award	Vesting determined by
Steven Oliver	nil cost option	90% salary	£0.45	700,000	£315,000	Three financial years to 30 November 2024
Matthew Fowler	nil cost option	90% salary	£0.45	400,000	£180,000	Three financial years to 30 November 2024

The Committee performed its calculations and approved awards based on a share price of £0.50. At the time the award was made the share price was £0.45 which resulted in a reduction to award levels from the normal 100% of salary maximum.

The award will vest at 25% for adjusted EPS for the year ending 30 November 2024 of 2.9 pence, increasing pro-rata to 75% vesting for EPS for the year ending 30 November 2024 of 3.2 pence. The award will then vest 100% for EPS for the year ending 30 November 2024 of 3.5 pence. Between targeted EPS, the awards will vest with straight-line pro-rating vesting between each stated target.

Sharesave options granted during the year (audited)

During the year both Steven Oliver and Matthew Fowler received awards under the Company's Save as You Earn Scheme ('SAYE'). These awards were granted on the same terms as all employees that elected to participate in the SAYE. They each received an award of 40,000 shares with an option exercise price of £0.45 representing the average share price over the three-day period from 8 August 2022 to 10 August 2022. The number of shares included in the award was determined based on their expected monthly saving over a 36-month period of £500 each, per month. The face value of the award was £18,000.

Directors' interest in shares

The interests of the Directors as at 30 November 2022 (including the interests of their families and related trusts), all of which were beneficial, in the ordinary shares of the Company were:

Interests of Directors in ordinary shares	Number of ordinary shares
Executive Directors	
Steven Oliver	12,066,839
Matthew Fowler	175,000
Non-Executive Directors	
Martin Hellawell	947,738
David Wilson	51,813
Alison Littley	nil

The market price of the Company's shares at 30 November 2022 was 19.15 pence.

Alison Littley
Chair of the Remuneration Committee
7 March 2023

Directors' report – other statutory information

The Directors present their report together with the audited financial statements of musicMagpie plc (the 'Company') and its subsidiaries (together the 'Group') for the year ended 30 November 2022.

Principal activity

The principal activity of the Group in the year under review was to promote recycling and sustainability by providing a fast, easy and trusted method for consumers to both sell, rent and purchase consumer technology items such as mobile telephones, games consoles, tablets and laptop computers along with its legacy categories of disc media including CDs, DVDs, Blu-rays, games, and books.

The principal activity of the Company is that of a holding company. The Group has one a wholly owned overseas subsidiary in the Atlanta Georgia in the United States.

Business review and future developments

A review of the performance of the Group during the year, including the principal risks and uncertainties, key performance indicators and comments on future developments, is given in the Strategic Report.

Results and dividends

The Group's financial results are discussed in the Financial Review on pages 24 to 26. The Directors have not recommended the payment of a dividend for the year.

Risk management

The Group's principal risks and uncertainties are discussed on pages 27 and 28 and in note 28 to the financial statements.

Section 172 statement

The statement of compliance with Section 172 of the Companies Act 2006 covering our engagement with key stakeholders can be found on page 16.

Streamlined Energy and Carbon Reporting requirements

The Group has chosen, in accordance with s414C(11) of the Companies Act 2006, to include information on greenhouse gas emissions, energy consumption and energy efficiency as a separate disclosure which can be found on pages 18 to 21.

Directors

The Directors who served the Company during the year and up to the date of signing of these financial statements were:

- Steve Oliver (appointed 7 December 2020);
- Martin Hellawell (appointed 15 April 2021);
- Alison Littley (appointed 15 April 2021);
- Dave Wilson (appointed 15 April 2021); and
- Matthew Fowler (appointed 21 April 2022).

Biographical details of the Directors can be found on page 29.

Directors' interests in the ordinary shares of the Company can be found in the Remuneration Committee Report on page 39.

All the Directors are subject to election by the shareholders at the Annual General Meeting following their appointment during the year.

Directors' indemnities and insurance

The Company has made qualifying third-party indemnity provisions for the benefit of the Directors, which were in force during the year and up to the date of this report.

Significant shareholdings

As at 30 November 2022, the Company had been notified in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority of the following interests holding 3% or more of the issued share capital in musicMagpie plc.

	No. of ordinary shares held	% of issued shares
Northern Entities*	13,886,532	12.88%
Schroder Investment Management	13,337,337	12.37%
Canaccord Genuity Wealth Management	12,146,044	11.27%
Steve Oliver**	12,066,839	11.19%
Walter Gleeson**	9,678,159	8.98%
musicMagpie Employee Benefit Trust	9,195,902	8.53%

* Shareholdings of funds managed or advised by NVM Private Equity LLP and Mercia Fund Management Limited.

** Inclusive of shares held by persons closely connected.

Employees

The Group recognises the critical part that its employees play in shaping every facet of the business and its financial performance. There has been consistent focus on the development of employee welfare and health and safety practices throughout the year. We are committed to the investment in our team at all levels to ensure a culture of continuous improvement to position the business to continue to achieve the projected growth and development over the coming years.

We embrace diversity across our organisation and the Group recognises that discrimination is unacceptable and that equality of opportunity is paramount. The aim of these policies is to ensure that no job applicant or employee is discriminated against either directly or indirectly on the grounds of race, colour, ethnicity, national origin, religious belief, sex, marital status, sexual orientation, gender reassignment, disability, political opinion or age. Breaches of these policies result in disciplinary proceedings and, if necessary, action.

Our Magpies play a fundamental role in shaping our corporate responsibility culture through voluntary teams looking at employee engagement, charitable and environmental activities.

Further details as to how we engage with our employees and the culture we are proud to have can be found in the Strategic Report on pages 22 and 23 and in our Section 172 Statement on page 16.

Research and development

The Group performs research and development activities principally around the development of the Group's website, app and technology platforms. This remains a high priority for the Group to maintain the excellence of all of its technology alongside the introduction of new functionality. In accordance with its accounting policies, the Group capitalised development expenditure of £4,555,000 (2021: £2,837,000) during the year. Research expenditure is expensed as incurred.

Subsequent events and future developments

There have been no material events effecting the Company or the Group since the balance sheet date.

There are no likely future developments in the business outside of the strategy and direction as covered in the business model and business review on pages 6 to 26.

Directors' report – other statutory information continued

Disclosure of information to auditors

The Directors who held office at the date of approval of this report confirm, having made enquiries of fellow Directors and of the Group's auditors, that:

- to the best of their knowledge and belief, there is no relevant audit information of which the Group's auditors are unaware; and
- each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Going concern

Management has produced cash flow forecasts and trading projections for a 14-month period from the date of approval of these financial statements. As part of this review the Directors have incorporated reasonable downside sensitivities. These reviews demonstrate that the Company and the Group is forecast to generate sufficient profits and cash in the year ended 30 November 2023 and beyond and that the Company and the Group has sufficient working capital to enable them to meet their obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

The Directors therefore believe there is a reasonable expectation that the Group can continue as a going concern for at least the next 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Independent auditors

The auditors, RSM UK Audit LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the AGM.

The Directors' Report was approved on behalf of the Board on 7 March 2023.

By order of the Board

Steve Oliver
Chief Executive Officer
7 March 2023

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with UK Adopted International Accounting Standards and have elected under company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and UK Adopted International Accounting Standards to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors' Report was approved on behalf of the Board on 7 March 2023.

Matthew Fowler
Chief Financial Officer

Independent Auditors' Report to the members of musicMagpie plc

Opinion

We have audited the financial statements of musicMagpie plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 November 2022 which comprise the consolidated statement of comprehensive income, consolidated and Company statements of financial position, consolidated and Company statements of changes in equity, consolidated cash flow statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 November 2022 and of the group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	**Group** • Revenue recognition • Going concern No key audit matters are identified in respect of the parent company.
Materiality	**Group** • Overall materiality: £973,000 (2021: £1,050,000) • Performance materiality: £730,000 (2021: £788,000) **Parent company** • Overall materiality: £95,000 (2021: £100,000) • Performance materiality: £71,200 (2021: £75,000)
Scope	Our audit procedures covered 99% of revenue, 94% of net assets and 89% of loss before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Key audit matter description	*(Refer to page 54 regarding the accounting policy in respect of revenue recognition, note 4 in respect of segmental reporting and note 5 in respect of revenue).* There are three revenue streams within the business: consumer revenues from the sale of goods, wholesale revenues from the sale of goods and consumer revenues from the rental of technology assets. There is a risk that revenue is overstated or incorrectly valued within the financial statements through fraud or error, and that the established revenue recognition policies are not appropriately applied given the various types of revenue earned.
How the matter was addressed in the audit	The appropriateness of revenue recognition policies was considered based on the requirements of IFRS 15 'Revenue from Contracts with Customers' and the nature and terms of sales made by the group. For a sample of consumer and wholesale sales made in the year, the existence and valuation of the recorded revenue was corroborated to underlying sales documentation and traced through to the corresponding cash receipt. For a sample of rental sales made in the year, the existence and valuation of the recorded revenue was corroborated to the contract with the customer as well as cash receipts. The Cut-off of revenue recognised in the year was considered by selecting a sample of sales transactions close to the period end and obtaining evidence for the timing of dispatch of these sales in accordance with the revenue recognition policy of the group.

Going concern

Key audit matter description	*(Refer to page 53 regarding the accounting policy in respect of Going concern).* As stated within Note 2 of the financial statements, the directors have prepared forecasts to assess the Group and Company's ability to continue as a Going concern for a period of at least 12 months from the approval of the financial statements. When making their assessment, if the directors are aware of material uncertainties related to events or conditions that may cast significant doubt upon the ability to continue as a going concern, then those uncertainties shall be disclosed. In relation to management's going concern assessment we required a detailed and robust review of up to date forecasts, cash flows, sensitivity analyses and reviews of contingency plans and impact assessments to be conducted by management. Our review of going concern was considered to be a key audit matter due to an increase in the resources allocated to auditing management's assessment of going concern. This increase in allocated resources resulted from the introduction of new banking facilities in the period, the need to understand the impact of changes in the nature of the group's business resulting from the continued expansion of the rental business and consideration of the potential impact of macro-economic factors on forecast performance.

Independent Auditors' Report to the members of musicMagpie plc continued

Going concern continued

How the matter was addressed in the audit	Our evaluation of the directors assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included: • Considering the accuracy of historic forecasts • Considering the available headroom provided by existing funding facilities and the Group's ability to comply with financial covenants • Considering the directors assessment of the sensitivity of the conclusions drawn in the forecasts to changes in the assumptions • Considering the mitigating actions management have identified to reduce costs in the event that actual revenue performance was less than forecast • Reviewing performance since the year end date and how this compares to the forecasts

Our application of materiality

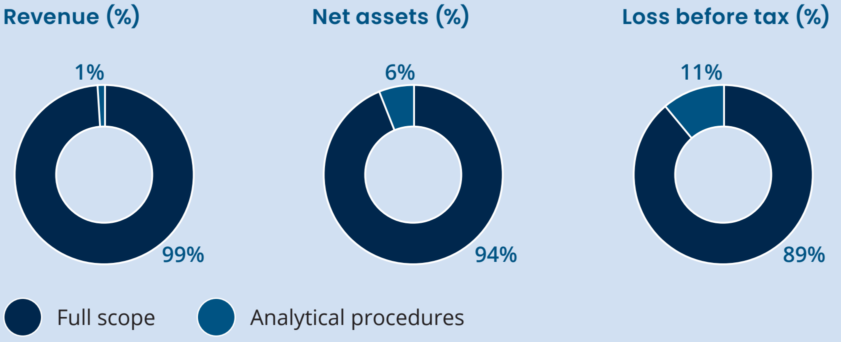
When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent Company
Overall materiality	£973,000 (2021: £1,050,000)	£95,000 (2021: £100,000)
Basis for determining overall materiality	2.5% of gross profit	1% of total assets
Rationale for benchmark applied	The trading margins of the Group are considered the critical factor in driving the performance of the business.	The entity is a non-trading holding company holding the investments in the trading subsidiaries.
Performance materiality	£730,000 (2021: £788,000)	£71,200 (2021: £75,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £48,600 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £4,750 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 7 components, 5 of which are based in the UK, 1 of which is based in Guernsey and 1 of which is based in the US.

The coverage achieved by our audit procedures was:



Full scope audits were performed for 3 components and analytical procedures at group level for the remaining 4 components.

Of the above no procedures were undertaken by component auditors.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. For an explanation of how we evaluated management's assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting please see the going concern key audit matter.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent Auditors' Report to the members of musicMagpie plc continued

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 41, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

Independent Auditors' Report to the members of musicMagpie plc continued

The extent to which the audit was considered capable of detecting irregularities, including fraud continued

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the Group and parent company operate in and how the Group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation/ Regulation	Additional audit procedures performed by the audit engagement team included:
IFRS/FRS101 and Companies Act 2006	review of the financial statement disclosures and testing to supporting documentation; and completion of disclosure checklists to identify areas of non-compliance.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	testing a sample of sales recorded in the year and corroborating to underlying sales documentation; and testing the cut-off of revenue recognised in the year by corroborating to evidence of the timing of dispatch of sales for a sample recorded close to the year end.
Management override of controls	testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

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

ALASTAIR JOHN RICHARD NUTTALL (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF
7 March 2023

Consolidated Statement of Comprehensive Income

	Note	**Year ended 30 November 2022 £000**	Year ended 30 November 2021 £000
Turnover	4, 5	**145,279**	145,566
Cost of sales		**(107,138)**	(101,211)
Gross profit		**38,141**	44,355
Operating expenses		**(38,478)**	(35,875)
Operating expenses – exceptional		**(174)**	(22,000)
Total operating expenses		**(38,652)**	(57,875)
Adjusted EBITDA*	29	**6,471**	12,174
Depreciation of property, plant and equipment	14	**(3,877)**	(1,755)
Impairment of property, plant and equipment	14	**(835)**	(410)
Loss on disposal of property, plant and equipment	14	**(19)**	(12)
Amortisation of intangible assets	15	**(1,910)**	(1,517)
Equity-settled share-based payments	25	**(167)**	(17,379)
Other non-underlying items	6	**(174)**	(4,621)
Operating loss		**(511)**	(13,520)
Financial expense	10	**(946)**	(1,299)
Loss before taxation		**(1,457)**	(14,819)
Taxation	11	**(3,278)**	2,694
Loss for the period attributable to the equity holders of the parent		**(4,735)**	(12,125)
Other comprehensive income			
Items that may be reclassified to profit and loss			
Foreign exchange differences on translation of foreign operations		**145**	38
Total comprehensive loss for the year attributable to the equity holders of the parent		**(4,590)**	(12,087)

		Pence	Pence
– basic loss per share	13	**(4.8)p**	(12.7)p
– diluted loss per share	13	**(4.7)p**	(12.7)p

* Adjusted EBITDA is a non-GAAP measure. See note 28 for definition and reconciliation.

Consolidated Statement of Financial Position

	Note	As at 30 November 2022 £000	As at 30 November 2021 £000
Assets			
Property, plant and equipment	14	**13,995**	6,118
Intangible assets	15	**12,379**	9,679
Deferred tax asset	12	**1,909**	5,333
Derivative financial asset	20	**578**	—
Total non-current assets		**28,861**	21,130
Inventories	18	**8,824**	8,019
Trade and other receivables	19	**2,602**	3,724
Derivative financial asset	20	**555**	—
Cash and cash equivalents	21	**6,806**	2,849
Total current assets		**18,787**	14,592
Total assets		**47,648**	35,722
Liabilities			
Trade and other payables	22	**9,340**	8,359
Lease liabilities	23	**687**	366
Corporation tax payable		**—**	269
Total current liabilities		**10,027**	8,994
Net current assets		**8,760**	5,598
Other interest-bearing loans and borrowings	23	**14,675**	887
Lease liabilities	23	**3,403**	1,557
Shares classified as debt	23	**—**	—
Total non-current liabilities		**18,078**	2,444
Total liabilities		**28,105**	11,438
Net assets		**19,543**	24,284
Equity			
Share capital	27	**1,078**	1,078
Share premium	27	**14,449**	14,449
Capital redemption reserve	27	**1,108**	1,108
Merger reserve	27	**(991)**	(991)
Translation reserve	27	**25**	(120)
Retained earnings		**3,874**	8,760
Equity attributable to the equity holders of the parent		**19,543**	24,284

These financial statements were approved by the Board of Directors on 7 March 2023 and were signed on its behalf by:

S Oliver
CEO

Company Statement of Financial Position

Registered number 12977343

	Note	**As at 30 November 2022 £000**	As at 30 November 2021 £000
Assets			
Investments	16	**14,333**	14,285
Total non-current assets		**14,333**	14,285
Trade and other receivables	19	**10,757**	11,476
Total current assets		**10,757**	11,476
Total assets		**25,090**	25,761
Liabilities			
Trade and other payables	22	**37**	—
Total liabilities		**37**	—
Net current assets		**10,720**	—
Net assets		**25,053**	25,761
Equity			
Share capital	27	**1,078**	1,078
Share premium	27	**14,449**	14,449
Capital redemption reserve	27	**1,108**	1,108
Merger reserve	27	**801**	801
Retained earnings		**7,617**	8,325
Equity attributable to the equity holders of the parent		**25,053**	25,761

The Company has taken advantage of the exemption permitted by Section 408 of the Companies Act 2006 not to present its own profit and loss account. The Company made a loss of £876,000 (2021: loss of £8,959,000) for the period.

These financial statements were approved by the Board of Directors on 7 March 2023 and were signed on its behalf by:

S Oliver
CEO

Consolidated Statement of Changes in Equity

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Translation reserve £000	Retained earnings £000	Total Equity £000
As at 1 December 2020		14	1,690	—	—	(158)	874	2,420
Loss for the year		—	—	—	—	—	(12,125)	(12,125)
Foreign currency translation		—	—	—	—	38		38
Total comprehensive income/(loss) for the year		—	—	—	—	38	(12,125)	(12,087)
Cancellation of share premium	27	—	(1,690)	—	—	—	1,690	—
Reclassification of shares	27	1,100	—	—	—	—	—	1,100
Repurchase of deferred shares	27	(1,108)	—	1,108	—	—	—	—
Bonus issue of shares		991	—	—	(991)	—	—	—
Shares issued	27	81	14,922	—	—	—	—	15,003
Issue costs of shares	27	—	(473)	—	—	—	—	(473)
Interest on preference shares waived by the owners	26	—	—	—	—	—	185	185
Share-based payments	25	—	—	—	—	—	17,379	17,379
Tax effects of share-based payment charge							757	757
Balance as at 30 November 2021		1,078	14,449	1,108	(991)	(120)	8,760	24,284

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Translation reserve £000	Retained earnings £000	Total Equity £000
As at 1 December 2021		1,078	14,449	1,108	(991)	(120)	8,760	24,284
Loss for the year		—	—	—	—	—	(4,735)	(4,735)
Foreign currency translation		—	—	—	—	145	—	145
Total comprehensive income/(loss) for the year		—	—	—	—	145	(4,735)	(4,590)
Share-based payments	25	—	—	—	—	—	167	167
Tax effects of share-based payment charge							(318)	(318)
Balance as at 30 November 2022		**1,078**	**14,449**	**1,108**	**(991)**	**25**	**3,874**	**19,543**

Company Statement of Changes in Equity

	Note	Share capital £000	Share premium £000	Capital redemption Reserve £000	Merger reserve £000	Retained earnings £000	Total Equity £000
As at 27 October 2020		—	—	—	—	—	—
Loss for the period		—	—	—	—	(8,959)	(8,959)
Total comprehensive loss for the period		—	—	—	—	(8,959)	(8,959)
Share-based payments	25	—	—	—	—	17,284	17,284
Share for share exchange	27	14	—	—	1,792	—	1,806
Reclassification of shares	27	1,100	—	—	—	—	1,100
Repurchase of deferred shares	27	(1,108)	—	1,108	—	—	—
Bonus issue of shares	27	991	—	—	(991)	—	—
Shares issued	27	81	14,922	—	—	—	15,003
Issue costs of shares	27	—	(473)	—	—	—	(473)
Balance as at 30 November 2021		1,078	14,449	1,108	801	8,325	25,761

	Note	Share capital £000	Share premium £000	Capital redemption Reserve £000	Merger reserve £000	Retained earnings £000	Total Equity £000
As at 1 December 2021		1,078	14,449	1,108	801	8,325	25,761
Loss for the year		—	—	—	—	(875)	(875)
Total comprehensive loss for the year		—	—	—	—	(875)	(875)
Share-based payments	25	—	—	—	—	167	167
Balance as at 30 November 2022		**1,078**	**14,449**	**1,108**	**801**	**7,617**	**25,053**

Consolidated Cash Flow Statement

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
Net cash flows from operating activities		
Loss for the year	**(4,735)**	(12,125)
Adjustments for:		
Financial expense	**946**	1,299
Taxation expense	**3,278**	(2,694)
Depreciation of property, plant and equipment	**3,877**	1,755
Impairment of property, plant and equipment	**835**	410
Loss on property, plant and equipment	**19**	12
Amortisation of intangible assets	**1,910**	1,517
Fair value gain on derivative financial asset	**(1,133)**	—
Share-based payments expense	**167**	17,379
Taxation paid	**—**	—
Working capital adjustments		
Increase in inventories	**(805)**	(1,184)
Decrease (increase) in trade and other receivables	**1,122**	(1,216)
Increase/(decrease) in trade and other payables	**712**	(2,522)
Net cash from operations	**6,193**	2,631
Cash flows used in investing activities		
Acquisition of property, plant and equipment	**(9,661)**	(4,404)
Capitalised development expenditure	**(4,555)**	(2,837)
Net cash used in investing activities	**(14,216)**	(7,241)
Cash flows from financing activities		
Proceeds from new loan	**21,026**	1,000
Proceeds from shares issued	**—**	15,002
Costs incurred on IPO charged to Share Premium	**—**	(473)
Financial expenses paid	**(577)**	(2,275)
Lease liabilities paid	**(868)**	(618)
Interest paid on lease liabilities	**(169)**	(131)
Repayment of other loans	**(7,500)**	(6,000)
Repayment of shareholder loan notes	**—**	(4,200)
Net cash from financing activities	**11,912**	2,305
Net (decrease)/increase in cash and cash equivalents	**3,889**	(2,305)
Cash and cash equivalents brought forward	**2,849**	5,140
Effect of exchange rate fluctuations on cash	**68**	14
Cash and cash equivalents carried forward	**6,806**	2,849

Notes

1. Corporate information

The Directors of musicMagpie plc (the 'Company') present their full year report and the audited consolidated financial statements for the year ended 30 November 2022.

musicMagpie plc is a public limited company incorporated in the United Kingdom whose shares are publicly traded on the Alternative Investment Market ('AIM') of the London Stock Exchange and is incorporated and domiciled in the UK. Its registered office address is One Stockport Exchange, Railway Road, Stockport, Cheshire SK1 3SW.

The Company's financial statements are included in the consolidated financial statements of musicMagpie plc, which can be obtained from its registered office address. The Company has taken advantage of the exemption permitted by Section 408 of the Companies Act 2006 not to present its own profit and loss account.

The Company, musicMagpie plc is the ultimate Group company of the consolidated Group.

2. Accounting policies

2.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with UK adopted International Accounting Standards and with those parts of the Companies Act 2006 applicable to companies reporting under International Accounting Standards. The Group has chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ('FRS 101'). The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are measured at fair value.

The accounting policies that follow set out those policies that apply in preparing the financial statements for the year ended 30 November 2022 and the Group and Company have applied the same policies throughout the year.

The following exemptions from the requirements of IFRS have been applied in the preparation of the Company's financial statements and, where relevant, equivalent disclosures have been made in the Group accounts of the parent, in accordance with FRS 101:

- presentation of a statement of cash flows and related notes;
- disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- financial instrument disclosures;
- a reconciliation of the number and weighted average exercise prices of share options, how the fair value of share-based payments was determined and their effect on profit or loss and the financial position;
- related party disclosures for transactions between the parent and wholly owned members of the Group;
- disclosure of the objectives, policies and processes for managing capital.

Basis of Consolidation

A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated statement of comprehensive income from the date that control commences until the date that control ceases. Control is established when the Group has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the musicMagpie Group takes into consideration potential voting rights that are currently exercisable.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.2 Going Concern

The financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons. The Group made a loss before taxation of £1,457,000 during the year ended 30 November 2022 (year ended 30 November 2021: loss of £14,819,000). At the year-end date it had net current assets of £8,760,000 (year ended 30 November 2021: £5,598,000). The Group has access to a £30m committed credit facility.

The Group presently meets its day-to-day working capital requirements through cash reserves and its bank facilities which are subject to various facility limits and covenants. The Directors have reviewed the trading and cash flow forecasts for the 12-month period from the date of approval of the financial statements as part of their going concern assessment and having incorporated reasonable downside sensitivities have confirmed that the Group will be able to continue to meet quarterly covenant tests and remain within the borrowing limits set out within its bank facility agreement.

The Directors therefore believe there is a reasonable expectation that the Group can continue as a going concern for at least the next 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.3 Foreign currency

Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date and the foreign exchange differences arising on translation are recognised in profit or loss. The functional currency of the Company is Sterling.

The assets and liabilities of foreign operations are translated to the presentational currency, Sterling, at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in profit or loss.

Notes continued

2. Accounting policies continued

2.4 Financial instruments

Financial assets

Financial assets comprise trade and other receivables (including intercompany balances) and cash and cash equivalents.

Trade receivables are initially measured at transaction price, and subsequently at their amortised cost subject to any impairment in accordance with IFRS 9.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional. The Group holds these receivables with the objective of collecting contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Cash and cash equivalents comprise cash in hand, cash at bank, cash in transit and call deposits. Cash in transit comprise of cash collected from the customers by third-party e-commerce platforms but not yet received by the Group. These balances are considered to be highly liquid, with minimal risk of default and are typically received within a week.

The assessment of impairment of trade receivables and other receivables, including intercompany balances is in accordance with IFRS 9. Impairment is assessed by reference to expected recoverability of assets, including the underlying profitability and cash flows from subsidiaries from whom intercompany balances are owed. A loss allowance for expected credit losses ('ECL') is recognised on all receivable balances subsequently measured at amortised cost as follows:

For trade receivables, lifetime ECLs are recognised using the 'simplified approach' permitted under IFRS 9.

For other financial instruments, lifetime ECLs are recognised when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument is measured at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Credit risk on a financial instrument (including intercompany balances), is assumed not to have increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Financial liabilities

Financial liabilities comprise trade and other payables and interest-bearing loans. These are measured at initial recognition at fair value and subsequently at amortised cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the musicMagpie Group; and

b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the musicMagpie Group's own equity instruments or is a derivative that will be settled by the musicMagpie Group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the musicMagpie Group's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Intercompany balances are classified as current in the financial statements. In arriving at this classification, management have looked at the financial position of the subsidiary entities and their relative ability to meet balances owing and considered scenarios where there are possible issues with repayment.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment includes assets rented to customers ('Rental Assets') which, as we retain ownership of the device throughout the contractual term, the cost of the asset is capitalised and depreciated over its expected remaining useful economic life.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The Company assesses at each reporting date whether property, plant and equipment are impaired.

Depreciation is charged to profit and loss over the estimated useful lives of each part of an item of Property, plant and equipment . Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

Plant and machinery	6 – 7 years	Straight line
Motor vehicles	3 years	Straight line
Fixtures and fittings	6 – 7 years	Straight line
Computer and office equipment	3 years	Straight line
Rental assets	33%	Reducing balance

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Notes continued

2. Accounting policies continued

2.6 Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

2.7 Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. This represents Goodwill in the business as a whole and this is not amortised but is tested annually for impairment.

Research and development

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses. Research and other development expenditure is expensed as incurred.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Website development	3 – 5 years
Capitalised IT development costs	3 – 5 years
Acquired intangibles (proprietary software)	10 years
Domains	10 years

2.8 Investments

Investments in subsidiaries are held at cost, less any provision for impairment.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle. The cost of inventories includes the average cost of purchase and other costs, such as inbound delivery and direct labour, in bringing them to their existing location and condition. Net realisable value is measured by reference to sales prices in the market for products that can be readily sold and by an assessment of the harvestable value of components of a device if sales is not possible.

2.10 Impairment of non-financial assets excluding inventories and deferred tax assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are Grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Groups of assets (the 'cash-generating unit'). For the purpose of impairment testing, goodwill is allocated to a single cash-generating unit, or ('CGU'), being the Group as a whole reflecting the lowest level at which the business is monitored for internal reporting purposes.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of the CGU are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (Group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes continued

2. Accounting policies continued

2.11 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payments

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using either Monte Carlo option pricing model or Black Scholes valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. See note 25 for details of employee share options incentive plans operated by the Group.

2.12 Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre- tax rate that reflects risks specific to the liability.

2.13 Revenue

Revenue is income generated from the sale or rental of goods in the ordinary course of the Group's business activities. In accordance with IFRS 15, revenue is recognised when any performance obligations in a contract with a customer has been satisfied. The Group's revenues are derived from the supply of goods (technology, media and books) and the rental of mobile phones to customers.

Sale of goods

Revenue represents the fair value of amounts receivable for goods and is stated net of discounts, value added taxes and returns. The Group does not operate any loyalty programmes. The supply of goods contains a single performance obligation with the customer to deliver the goods and revenue is recognised on dispatch of goods to the customer. For goods sold direct to consumers, payment is usually received at the point of sale. For goods sold via wholesale channels, a sales invoice is raised on dispatch.

Revenues for goods and services are recognised on despatch to the customer instead of delivery to the customer for practical reasons.

Rental of devices

The Group also earns rental income on devices rented to customers over a fixed term. The ownership of the device does not pass to the customer at the end of the contract term and there is no option to purchase the device at any point during the contract term. Rental payments are received on a monthly basis and early termination charges are payable if the contract is terminated before the end of the term by the customer.

The contracts for the rental of devices are classified as operating leases in accordance with IFRS 16 'Leases'. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term. Early termination charges are recognised as income in the period in which the contract is terminated.

2.14 Financial expense

Financial expense includes interest payable.

2.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Notes continued

2. Accounting policies continued

2.16 Leases as lessee

At the commencement date of the lease, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Recognition and measurement

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Group accounts for each lease component separately from the non-lease components. The Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group has applied the incremental borrowing rate for calculating the lease liability of 5%. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The Group determines its incremental borrowing rate with reference to its existing and historical cost of borrowing adjusted for the term and security against such borrowings.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in- substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities on the face of the statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in 2.10.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.17 Derivative financial instruments

The Group accounts for derivative instruments under IFRS 9 'Financial Instruments'. The Group does not hedge account. As such derivative instruments are measured at fair value through the profit and loss at each reporting date.

3. Significant accounting estimates, judgements and new accounting standards

3.1 Significant accounting judgements and estimates

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

Key sources of estimation uncertainty

- Impairment of assets - in testing for impairment of investments, goodwill and other intangible assets, management have made certain assumptions concerning the future development of the business that are consistent with its annual budget and forecasts into perpetuity. Should these assumptions regarding the discount rate or growth in the profitability be unfounded then it is possible that investments and other assets included in the statement of financial position could be impaired. See further details in note 15.
- Inventory provisioning - the Group carries significant amounts of inventory against which there are provisions for slow moving lines. As product is almost always in a condition ready for immediate sale, any costs necessary to make inventory sellable are immaterial. Inventory provisioning requires judgement and the use of estimates around future sales. In addition, management make use of this sales data regarding selling prices in order to ensure that inventories are valued at the lower of cost and net realisable value. Inventories at the year end were valued at £8,824,000 (Year ended 30 November 2021: £8,019,000) which included a provision for slow moving lines of £729,000 (Year ended 30 November 2021: £529,000). If the estimate of future demand for product was under or overstated by 25% the provision would be impacted by £182,000/ (£125,000).

Notes continued

3. Significant accounting estimates, judgements and new accounting standards continued

3.1 Significant accounting judgements and estimates continued

Key sources of estimation uncertainty continued

- The Group has a derivative financial instrument in the statement of financial position in the form of a forward contract to purchase electricity at a fixed price. The mark to market of the forward contract requires various estimates to arrive at a fair value for the instrument at year end, which was £1,133,000 (2021: nil). The valuation included a risk-free fair value, a credit valuation adjustment and a debit valuation adjustment. The main assumptions used to value these were the expected SONIA interest rate, the credit worthiness of both the Group and the electricity supplier, the implied volatility of electricity and the forward price of electricity in the market. See note 6. If the Group was assumed to have maximum credit worthiness the debit value adjustment of the asset would reduced by £394,000.

Critical accounting judgements in applying the Group's accounting policies

Certain critical accounting judgements (apart from those involving estimations included above) in applying the Group's accounting policies are described below.

The Group has deferred taxation assets on the balance sheet of £1,909,000 (2021: £5,333,000). In arriving at the carrying value management have made judgements as to whether the deferred taxation will be utilised in future periods. When concluding that the deferred taxation assets will be utilised management have had regard to the Board-approved year one budgets and the Group's five year plan. These forecasts show the Group to be profitable owing to the long-term benefits to profit from the investment and planned growth in the Rental segment. Based on the growth plans of Rental, utilisation of the deferred taxation assets occurs within 5–7 years.

3.2 New accounting standards and interpretations issued but not yet effective

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- Amendments to IAS 8: Definition of Accounting Estimates (effective 1 January 2023);
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosures of Accounting Policies (effective 1 January 2023);
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023); and
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (effective in January 2024).

The Group has not early adopted any accounting standards.

4. Segmental reporting

The Chief Operating Decision Maker ('CODM') has been determined to be the Chief Executive Officer, with support from the Board. Information reported to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focused on product categories. The principal product categories and the Group's reportable segments under IFRS 8 are Technology, Media and Books.

An analysis of the results for the period by reportable segment is as follows:

	Technology				
Year ended 30 November 2022	**Outright sales £000**	**Rental income £000**	**Total £000**	**Media and books £000**	**Total £000**
Revenue	**91,213**	**5,345**	**96,558**	**48,721**	**145,279**
Gross profit	**15,944**	**4,207**	**20,151**	**17,990**	**38,141**
Processing wages	**(4,428)**	**—**	**(4,428)**	**(8,218)**	**(12,646)**
Contribution after direct labour	**11,516**	**4,207**	**15,723**	**9,772**	**25,495**
Trading margin (%)	**26.8**	**100.0**	**30.9**	**82.4**	**48.2**
Gross margin (%)	**17.5**	**78.7**	**20.9**	**36.9**	**26.3**

Trading margin is the sales proceeds less the purchase price of the product sold.

Contracted rental income outstanding at the year ended 30 November 2022 amounted to approximately £3,111,000 (Year ended 30 November 2021: £1,864,805) which is due in the next 12 months.

	Technology				
Year ended 30 November 2021	Outright sales £000	Rental income £000	Total £000	Media and books £000	Total £000
Revenue	84,245	1,809	86,054	59,512	145,566
Gross profit	19,973	1,311	21,284	23,071	44,2355
Processing wages	(3,988)	—	(3,988)	(8,225)	(12,213)
Contribution after direct labour	15,985	1,311	17,296	14,846	32,142
Trading margin (%)	32.5	100.0	33.9	81.7	53.4
Gross margin (%)	23.7	72.4	24.7	38.7	30.4

Notes continued

5. Revenue

Disaggregation of revenue

An analysis of revenue by geographical market is given below:

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
United Kingdom	**102,727**	108,065
Within the European Community	**4,086**	4,225
United States of America	**34,362**	29,274
Outside the European Community (excluding the USA)	**4,104**	4,002
Total	**145,279**	145,566

An analysis of revenue by country of origination is given below:

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
United Kingdom	**110,233**	115,453
United States of America	**35,046**	30,113
Total	**145,279**	145,566

Due to the nature of the Group's business, it is not materially affected by seasonal or cyclical trading.

6. Other non-underlying items

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
Non-underlying gain	**1,133**	—
IPO-related costs	**—**	(3,998)
Other non-underlying costs	**(1,307)**	(623)
Total	**(174)**	4,621

Underlying performance excludes the above gain and expense items. These items are treated as non-underlying in line with historic approach, or because they are large or one-off in nature. For 2022 these consisted of:

- mark to market gain made by the Group on the forward purchase of electricity £1,133,000 (2021: £nil). This is recorded as a derivative financial asset;
- dual running IT costs within IPO related £900,000 (2021: £150.000);
- Covid-19-related expenditure £200,000 (2021: £nil); and
- VAT provision relating to a pre-Brexit tax structure £200,000 (2021: £nil).

For 2021, IPO-related costs related to costs incurred in admitting musicMagpie plc onto the Alternative Investment Market ('AIM') on 22 April 2021. Other non-underlying costs in 2021 related to non-recurring redundancy, additional Covid-19-related expenditure costs and non-executive monitoring fees.

7. Operating loss

included in the loss are the following	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
Amortisation of intangible assets	**1,910**	1,517
Depreciation of property, plant & equipment:		
Owned assets	**3,152**	1,130
Right-of-use assets	**725**	627
Impairment of property, plant and equipment	**835**	410
Loss on disposal of property, plant and equipment	**19**	12
Net forex gains in the period	**145**	38
Auditors' remuneration:		
Audit of these financial statements*	**177**	145
Other assurance services	**—**	—

* £15,000 (year ended 30 November 2021: £15,000) related to the audit of the Company.

The Group undertook no Research and Development activities that needed to be expensed in the year, (year ended 30 November 2021: £nil).

8. Remuneration of Directors

Short-term benefits	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
Directors' emoluments	**664**	626
Employers pension contributions	**9**	2
Amounts paid to third parties in respect of Directors' services	**—**	10
Total	**673**	638

Included in the above are amounts paid to Non-Executive Directors of £230,000 (year ended 30 November 2021: £183,000).

The aggregate of emoluments of the highest paid Director were £311,000 (year ended 30 November 2021: £326,000). Pension contributions paid on his behalf were £7,000 (year ended 30 November 2021: £2,000). The comparative information relates the amounts paid to the Directors for qualifying services provided to the Company from the IPO combined with amounts paid to the Directors for services provided to former parent company (Entertainment Magpie Group Limited) prior to that date.

Information on Directors' remuneration for the year ended 30 November 2022 is set out on pages 36 to 39.

Notes continued

9. Staff numbers and costs

The average number of persons employed by the Group (including Directors) during each financial period, analysed by category, was as follows:

	Group 2022	Group 2021	Company 2022	Company 2021
Office and administration	**202**	198	**12**	11
Warehouse	**481**	449	**—**	—
Total	**683**	647	**12**	11

The aggregate payroll costs of these persons were as follows:

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Wages and salaries	**17,790**	18,083	**1,094**	1,027
Social security costs	**1,317**	1,188	**143**	164
Other pension costs	**271**	317	**10**	5
Equity-settled share-based payments (see note 25)	**167**	17,379	**—**	5,908
Total	**19,545**	36,967	**1,247**	7,104

In addition to the above payroll costs, a further £2,661,000 (Year ended 30 November 2021: £2,040,000) has been capitalised as they relate to website and IT development costs.

Included in the above wages and salaries costs are temporary staff who were paid £3,010,000 during the year (Year ended 30 November 2021: £3,024,000).

10. Financial expense

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
Interest expense on loan notes	**—**	176
Interest on bank and other loans	**323**	209
Interest expense on lease liabilities	**169**	107
Other non-underlying financial expense	**152**	438
Bank interest and similar charges	**302**	369
Interest expense on preference shares classified as liabilities	**—**	—
	946	1,299

Other non-underlying financial expenses are finance costs written off that relate to previous debt structures.

11. Taxation

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
Current tax expense		
UK corporation tax on profits for the period	**40**	636
Adjustments in respect of previous periods	**132**	19
Total current tax expense	**172**	655
Deferred tax credit		
Origination and reversal of timing differences	**3,014**	(2,372)
Adjustment in respect of previous periods	**92**	(18)
Effect of changes in tax rates	**—**	(959)
Total deferred tax charge/(credit)	**3,106**	(3,349)
Total tax charge/(credit) in the income statement	**3,278**	(2,694)
Equity items		
Current tax	**—**	(439)
Deferred tax current year charge/(credit)	**318**	(318)
Total	**318**	(757)

Reconciliation of effective tax rate

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
Loss	**(1,457)**	(14,819)
Tax using the UK corporation tax rate of 19% (2020: 19%)	**(277)**	(2,816)
Other tax adjustments, reliefs and transfers	**20**	923
Adjustments in respect of prior periods – current tax	**132**	(52)
Adjustments in respect of prior periods – deferred tax	**92**	—
Tax rate changes	**—**	(959)
Research and Development Expenditure Credit	**40**	—
Share options	**3,000**	563
Deferred tax not recognised	**271**	(124)
Tax losses recognised in the period	**—**	(229)
Total tax charge/(credit) in the income statement	**3,278**	(2,694)

Notes continued

12. Deferred tax

	Tax losses £000	Capital allowances £000	Share options £000	Others £000	Total £000
At 30 November 2021	1,357	102	3,735	139	5,333
Credited/(debited) to profit or loss	536	(712)	(3,000)	70	(3,106)
Debited to equity	—	—	(318)	—	(318)
At 30 November 2022	**1,893**	**(610)**	**417**	**209**	**1,909**

In the budget on 3 March 2021, the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021.

The deferred tax asset is calculated at 25% (2021: 25%) based on the rate substantively enacted at the reporting date. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset. The deferred taxation asset is related to share-based payments has been revalued using the share price at the balance sheet date. Owing to the reduction in the share price from November 2021 to November 2022 the value of the share-based payments deferred taxation asset has fallen.

In addition to the above, the Group has unrecognised deferred taxation assets in respect of carried forward losses amounting to £1,676,000 (2021: £1,364,000).

13. Earnings per share

	Note	**Year ended 30 November 2022 £000**	Year ended 30 November 2021 £000
Loss for the period		**(4,735)**	(12,125)

	Note	**Number**	Number
Weighted average number of shares	1, 2	**98,588,041**	95,680,242
Diluted number of shares		**101,153,813**	95,680,242

		Pence	Pence
Basic loss per share (pence)		**(4.8)**	(12.67)
Diluted loss per share (pence)		**(4.7)**	(12.67)

Notes:

1. The weighted average number of shares and diluted number of shares exclude shares held by the Employee Benefit Trust in respect of share options outstanding and exercisable at the end of the year. See note 25 for further details.
2. No adjustment has been made to the diluted weighted average number of shares for the Sharesave option schemes as these have an anti-dilutive effect.

Adjusted earnings per share is disclosed in note 29 (Alternative Performance Measures) to show performance undistorted by adjusting items and is therefore considered to show the underlying performance of the Group.

14. Property, plant and equipment

	Right of use lease assets £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Rental assets £000	Computer and office equipment £000	Total £000
Cost							
Balance at 1 December 2020	4,535	3,117	285	2,554	63	4,001	14,555
Additions	—	339	—	113	3,657	295	4,404
Effect of movements in foreign currency	3	1	—	1	—	1	6
Impairment	—	—	—	—	(462)	—	(462)
Disposals	—	—	(285)	—	—	—	(285)
Balance at 30 November 2021	4,538	3,457	—	2,668	3,258	4,297	18,218
Additions	2,620	2,203	—	447	8,018	261	13,549
Effect of movements in foreign currency	161	24	—	30	—	8	223
Impairment	—	—	—	—	(1,120)	—	(1,120)
Disposals		(2,928)	—	(1,245)	(1,395)	(2,937)	(8,505)
Balance at 30 November 2022	**7,319**	**2,756**	**—**	**1,900**	**8,761**	**1,629**	**22,365**
Depreciation							
Balance at 1 December 2020	2,202	2,577	273	1,881	1	3,733	10,667
Charge for the year	725	297	—	196	471	164	1,755
Effect of movements in foreign currency	—	1	—	1	—	—	2
Impairment	—	—	—	—	(52)	—	(52)
Disposals	—	—	(273)	—	—	—	(273)
Balance at 30 November 2021	2,829	2,875	—	2,078	420	3,897	12,099
Charge for the year	725	316	—	235	2,385	216	3,877
Effect of movements in foreign currency	78	12	—	20	—	5	115
Impairment	—	—	—	—	(283)	—	(283)
Disposals	—	(2,839)	—	(1,262)	(401)	(2,936)	(7,438)
Balance at 30 November 2022	**3,632**	**364**	**—**	**1,071**	**2,121**	**1,182**	**8,370**
Net book value							
At 30 November 2022	**3,687**	**2,392**	**—**	**829**	**6,640**	**447**	**13,995**
At 30 November 2021	1,709	582	—	590	2,838	399	6,118

Once rental contracts pass a certain ageing of delinquency the contracts are considered irrecoverable and the value of the devices on rent impaired down to zero value.

Company

The Company has no tangible fixed assets.

Notes continued

15. Intangible assets

	Goodwill £000	Website development £000	IT development £000	Proprietary software £000	Domains £000	Total £000
Cost						
Balance at 1 December 2020	4,848	1,264	6,155	3,000	53	15,320
Additions	—	195	2,643	—	—	2,837
Disposals	—	—	—	—	—	—
Balance at 30 November 2021	4,848	1,459	8,798	3,000	53	18,158
Additions	—	168	4,387	—	—	4,555
Disposals	—	(1,081)	(3,760)	—	—	(4,841)
Balance at 30 November 2022	**4,848**	**546**	**9,425**	**3,000**	**53**	**17,872**
Amortisation						
Balance at 1 December 2020	—	1,054	4,402	1,482	24	6,962
Charge for the year	—	79	1,132	300	5	1,517
Disposals	—	—	—	—	—	—
Balance at 30 November 2021	—	1,133	5,534	1,782	29	8,479
Charge for the year	—	120	1,485	300	5	1,910
Disposals	—	(1,047)	(3,848)	—	—	(4,895)
Balance at 30 November 2022	**—**	**206**	**3,171**	**2,082**	**34**	**5,493**
Net book value						
At 30 November 2022	**4,848**	**340**	**6,254**	**918**	**19**	**12,379**
At 30 November 2021	4,848	325	3,263	1,218	24	9,679

All amortisation of intangible assets is charged to the consolidated statement of comprehensive income and is included within operating expenses (see note 7).

Company

The Company has no intangible fixed assets.

Intangible assets and goodwill

The Group has two cash-generating units ('CGUs'): a Rental CGU and a non-rental CGU. Goodwill arising from the acquisition of Entertainment Magpie Holdings Limited in September 2015 is allocated to the non-rental CGU. Intangible assets are then allocated between the CGUs based on the specific nature of cost.

Goodwill is tested annually for impairment on the basis of value in use calculations using discounted cash flows. The key assumptions of these calculations are shown below:

	30 November 2022	30 November 2021
Period on which management approved forecasts are based	**5 years**	4 years
Growth rate applied beyond approved forecast period	**(10%)**	2%
Discount rate (pre tax rate)	**11.0%**	8.17%

The method used to calculate the discounted cash flows for each CGU uses the same model, but with different assumptions for each . The methodology for each is as follows: A standard discounted cash flow model is used. The discounted cash flow valuation uses the Board-approved budget and five-year plan for the first five years. For years six to ten there is an assumed retraction in the model of 10% per annum, which is considered a prudent allowance for the unpredictability of these out years. Year ten uses a terminal value on the cash flow from that year for the non-rental CGU. Given the rental CGU is a relatively new business, no terminal value is ascribed to that CGU. Inflation in the cost base is captured in the Board-approved plans, however as noted in the strategic review the Group is somewhat insulated from inflation owing to the buy-sell nature of the Consumer Technology segment and the use of energy contracts entered into in summer 2022.

The key assumptions upon which management have based their cash flow projections are:

The weighted average cost of capital ('WACC') used to discount the future cash flows; the use of a terminal value in year ten.

The calculated value in use exceeded the carrying value of the CGU including goodwill.

The following sensitivities were run on the valuation approaches. Increasing the WACC to 15% would not change the outcome of the review. Excluding the terminal valuation would not change the outcome of the review.

The recoverable amount of the Rental CGU is estimated to exceed the carrying amount of the CGU at 30 November 2022 by £34.9m.

The recoverable amount of the non-rental CGU is estimated to exceed the carrying amount of the CGU at 30 November 2022 by £1.6m.

The comparative for 2021 was calculated using a single CGU and the recoverable amount of the CGU was estimated to exceed the carrying amount of the CGU at 30 November 2021 by £85.5m.

16. Investments

Company	In subsidiaries £000
Cost and net book value	
At the beginning of the year	14,285
Additions	48
At the end of the year	14,333

Notes continued

17. Subsidiaries

The Group consists of the parent Company, musicMagpie plc, incorporated in the UK and a number of subsidiaries held directly/indirectly by the parent. The table below shows details of all subsidiaries of musicMagpie Plc as at 30 November 2022.

Name of subsidiary	Principal place of business	Class of shares held	Proportion of ownership	Principal activity
Entertainment Magpie Group Limited^	United Kingdom	Ordinary	100%	Intermediate holding company
Entertainment Magpie Holdings Limited*^	United Kingdom	Ordinary	100%	Intermediate holding company
Entertainment Magpie Limited*	United Kingdom	Ordinary	100%	Purchase & resale of electronic items and replay media products
MM Guernsey Limited*^	Guernsey	Ordinary	100%	Refurbishment & dispatch of replay media products
Mozo Media Limited*^	United Kingdom	Ordinary	100%	Refurbishment & dispatch of replay media products
Entertainment Magpie, Inc*	United States of America	Ordinary	100%	Refurbishment & dispatch of replay media products

* Held indirectly via Entertainment Magpie Group Limited.

^ The company has met the relevant conditions for the directors to take advantage of the exemption conferred by s479A of the Companies Act 2006.

18. Inventories

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
Goods for resale	8,824	8,019
Total	8,824	8,019

Goods for resale recognised as cost of sales in the year ended 30 November 2022 amounted to £75,336,000 (Year ended 30 November 2021: £67,840,000). The write-down of inventories to net realisable value and reversals are included in cost of sales.

The Company's closing stock value is £nil (2021: £nil).

19. Trade and other receivables

Current assets	Group 2022 £000	Company 2022 £000	Group 2021 £000	Company 2021 £000
Trade receivables	701	—	786	—
Amounts due from Group companies	—	10,738	—	11,476
Other receivables	216	—	443	—
Prepayments and accrued income	1,685	19	2,496	—
Total	2,602	10,757	3,724	11,476

Information related to the Group's exposure to credit risk, market risk and impairment losses on receivables are included in note 28.

20. Derivative financial asset

	2022 £000	2021 £000
Derivatives not designated as hedging instruments	1,133	—
Total	1,133	—
Current and non-current		
Current	555	—
Non-current	578	
Total	1,133	—

The derivative financial assets are all net settled; therefore, the maximum exposure to credit risk at the reporting date is the fair value of the derivative assets which are included in the consolidated financial statement of financial position.

21. Cash and cash equivalents

	2022 £000	2021 £000
Cash and cash equivalents	6,806	2,849
Total	6,806	2,849

The Company has no cash and cash equivalents.

Notes continued

22. Trade and other payables

	2022 Group £000	2022 Company £000	2021 Group £000	2021 Company £000
Trade payables	**6,166**	**—**	6,246	—
Other taxation and social security	**542**	**—**	601	—
Other payables and accruals	**2,632**	**37**	1,512	—
Total	**9,340**	**37**	8,359	—

23. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 28.

	2022 £000	2021 £000
Current liabilities		
Lease liabilities	**687**	366
Total	**687**	366
Non-current liabilities		
Bank loans	**14,675**	887
Lease liabilities	**3,403**	1,557
Total	**18,078**	2,444
Falling due within one year	**687**	366
Falling due after more than one year	**18,376**	2,557
Total	**19,063**	2,923
Unamortised debt issue costs	**(298)**	(113)
Total interest-bearing loans and borrowings	**18,765**	2,810

On 27 July 2022, the Group refinanced it loan with SVB with the introduction of a £30m three year committed Revolving Credit Facility ('RCF') arrangement with HSBC UK and NatWest banks. This agreement is potentially extendable by an additional 12 months if elected before the first anniversary of the facility. The financial covenants of the facility are that leverage, measured as net debt divided by EBITDA, must be less than 2.5 times and that interest cover, measured as EBITDA divided by finance charges, must be greater than 4 times. The terms of the facility included debentures over the asset of the Group and a deposit control agreement over cash balances in the US entity.

The Company has no borrowings.

Terms and debt repayment schedule

30 November 2022	Currency	Interest rate	Year of maturity	Face value £000	Carrying value £000
Bank loans	**GBP**	**SONIA + 1.95–2.5%**	**2025 (+1 year)**	**14,973**	**14,675**
Lease liabilities	**GBP**	**5%**	**2023–2027**	**3,194**	**3,194**
Lease liabilities	**USD**	**5%**	**2027**	**896**	**896**
Total				**19,063**	**18,765**

Interest on the RCF is dependent on leverage.

30 November 2021	Currency	Interest rate	Year of maturity	Face value £000	Carrying value £000
Bank loans	GBP	SONIA + 2.0–2.5%	2024	1,000	887
Lease liabilities	GBP	5%	2018–2027	835	835
Lease liabilities	USD	5%	2027	1,088	1,088
Total				2,923	2,810

Changes in liabilities from financing activities

30 November 2022	Loan notes £000	Other loans £000	Bank loan £000	Shares classified as debt £000	Lease liabilities £000	Total £000
Balance at 30 November 2021	—	—	887	—	1,923	2,810
Changes from financing cash flows						
Lease additions	—	—	—	—	3,035	3,035
Proceeds from new loan	—	—	21,026	—	—	21,026
Repayment of existing loan	—	—	(7,500)	—	—	(7,500)
Interest paid	—	—	(207)	—	(169)	(376)
Payment of lease liabilities	—	—	—	—	(868)	(868)
Total	—	—	14,206	—	3,921	18,127
Other changes						
Interest expense			323	—	169	492
Interest waived by the shareholders	—	—	—	—	—	—
Other movements	—	—	146	—	—	146
Share reorganisation	—	—	—	—	—	—
Total	—	—	469	—	169	638
Balance at 30 November 2022	**—**	**—**	**14,675**	**—**	**4,090**	**18,765**

Notes continued

23. Interest-bearing loans and borrowings continued

Changes in liabilities from financing activities continued

30 November 2021	Loan notes £000	Other loans £000	Bank loan £000	Shares classified as debt £000	Lease liabilities £000	Total £000
Balance at 30 November 2020	5,432	5,803	—	1,240	2,565	15,040
Changes from financing cash flows						
Repayment of borrowings	(4,200)	(6,000)	—	—	—	(10,200)
Proceeds from new loan	—	—	1,000	—	—	1,000
Interest paid	(1,408)	(345)	(105)	—	(131)	(1,989)
Payment of lease liabilities	—	—	—	—	(618)	(618)
Total	(5,608)	(6,345)	895	—	(749)	(11,807)
Other changes						
Interest expense	176	345	105	45	107	778
Interest waived by the shareholders	—	—	—	(185)	—	(185)
Other movements	—	197	(113)	—	—	84
Share reorganisation	—	—	—	(1,100)	—	(1,100)
Total	176	542	(8)	(1,240)	107	(423)
Balance at 30 November 2021	—	—	887	—	1,923	2,810

Other movement in other loans and bank loans represents additional loan fees paid during the year and amortisation of those loan fees.

24. Right of use assets and lease liabilities

All leases where the Group is a lessee are accounted for by recognising a right of use asset and a lease liability. There are no short term or low value leases.

Amounts recognised in the consolidated statement of financial position

Right of use assets	Land and buildings £000
Balance at 1 December 2020	2,333
Additions to right of use assets	—
Effect of movements in foreign currency	3
Depreciation	(627)
Balance at 30 November 2021	1,709
Additions to right of use asset	2,620
Effect of movements in foreign currency	83
Depreciation	(725)
Balance at 30 November 2022	**3,687**

Lease liabilities	Land and buildings £000
Balance at 1 December 2020	2,565
Additions to lease liabilities	—
Interest expense	107
Lease payments	(749)
Balance at 30 November 2021	1,923
Additions to lease liabilities	3,035
Interest expense	169
Lease payments	(1,037)
Balance at 30 November 2022	**4,090**

Amounts recognised in the consolidated income statement

Land and buildings	**Year ended 30 November 2022 £000**	Year ended November 2021 £000
Depreciation charge on right of use assets	**725**	627
Interest on lease liabilities	**169**	107
Total	**894**	734

Lease liabilities – Maturity analysis of contractual undiscounted cash flows

	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1–2 years £000	2–5 years £000	More than 5 years £000
30 November 2022	**4,090**	**4,916**	**867**	**969**	**2,357**	**723**
30 November 2021	1,923	2,205	454	346	1,316	89

Notes continued

25. Employee benefits

Defined contribution pension

The Group operates defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the Group to the schemes and amounted to £271,000 (Year ended 30 November 2021: £317,000).

Share-based payments

EBT

On 8 February 2021, the Group adopted a new employee share option plan granting options to employees which would vest and become exercisable only on the occurrence of an exit event (including an IPO). The non-cash fair value charge recognised in relation to these in the period to 30 November 2021 under IFRS 2 'Share-based Payment' was £17,284,000. In August 2018, the Group granted equity-settled share options to certain employees. The non-cash fair value charge recognised in relation to these in the period to 30 November 2021 under IFRS 2 'Share-based Payment' was £17,284,000. £95,000. Both the February 2021 and August 2018 options are fully expensed and covered in total by shares held in the musicMagpie Employee Benefit Trust.

Sharesave

The Group has issued two Sharesave schemes in an attempt to encourage share ownership by employees. The 2021 scheme was not disclosed in the prior year owing to materiality and is shown here for the first time to give comparability with the 2022 scheme. Both schemes were open to all employees of the Group. A maximum of up to £500 per month can be invested into the schemes for a three-year period starting on the grant date. The option price of each award was set three days prior to the grant date. The options have a ten-year life. Each option vested after 36 months and there are no performance criteria attached to vesting. Vesting and exercise are subject to various conditions around individual service. Participants do not need to exercise the options and can alternatively take cash out of the scheme at any time.

Long Term Incentive Plan ('LTIP')

The Group operates an LTIP scheme for the Directors and certain senior managers. There was one grant of options during the year and this is the only grant outstanding at the year end. The number of options granted and their vesting criteria are determined by the Group's Remuneration Committee. The vesting criteria are performance related and are set out in detail within the Directors Remuneration Report. The options vest over three years (subject to the vesting criteria) and have a ten-year life. Vesting and exercise are subject to various conditions around service.

Details of the share options outstanding during the period are as follows:

	Number		Weighted exercise price		Weighted average remaining contracted life	
Sharesave	2022	2021	2022	2021	2022	2021
Outstanding at 1 December	48,672	—	—	—	—	—
Granted during the year	508,720	103,391	—	—	—	—
Exercised	—	—	—	—	—	—
Forfeited	(3,200)	(54,719)	—	—	—	—
Outstanding at 30 November	554,192	48,672	£0.56	£1.82	9.75 yrs	8.75 yrs

	Number		Weighted exercise price		Weighted average remaining contracted life	
EBT	2022	2021	2022	2021	2022	2021
Outstanding at 1 December	9,195,902	29,900	—	—	—	—
Granted during the year	—	116,734	—	—	—	—
Reclassification and bonus issue	—	11,065,979	—	—	—	—
Exercised	—	(2,016,711)	—	—	—	—
Outstanding at 30 November	9,195,902	9,195,902	£0.00	£0.00	5.4yrs	6.4yrs

	Number		Weighted exercise price		Weighted average remaining contracted life	
LTIP	2022	2021	2022	2021	2022	2021
Outstanding at 1 December	—	—	—	—	—	—
Granted during the year	2,565,772	—	—	—	—	—
Exercised	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—
Outstanding at 30 November	2,565,772	—	nil p	n/a	9.25	n/a

The Sharesave and LTIP were calculated using a Black Scholes option pricing model. The EBT was valued using a Monte Carlo option pricing model. Volatility has been calculated using the standard deviation of the Groups daily share price since IPO in April 2021. An additional 3% was added to the calculated volatility to account for the share price history being less than the valuation period. Volatility in the prior year was calculated by reference to a peer group as there was insufficient data to calculate volatility for the Group independently.

Notes continued

25. Employee benefits continued

Fair value of share options and assumptions

	As at 30 November 2022			As at 30 November 2021		
	LTIP	**EBT**	**Sharesave**	LTIP	EBT	Sharesave
Fair value at measurement date	**£0.45**	**—**	**£nil**	—	£1.88	£0.35
Share price at grant	**£0.45**	**—**	**£0.31**	—	£1.88	£1.82
Exercise price	**£0.00**	**—**	**£0.45**	—	nil	£1.82
Expected volatility	**25.0%**	**—**	**25.0%**	—	45.0%	25.0%
Expected dividends	**0.0%**	**—**	**0.0%**	—	0.0%	0.0%
Risk-free interest rate	**2.0%**	**—**	**2.0%**	—	0.6%	1.25%
Option life	**3.25 years**	**—**	**3.25 years**	—	0.2 years	3.25 years

Staff costs – equity-settled share-based payments

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
Sharesave	**27**	—
EBT	**—**	17,379
LTIP	**140**	—
	167	17,379

26. Related parties

Transactions with key management personnel

The Directors of musicMagpie plc together with the Senior Leadership Team ('SLT') are considered to be the key management personnel of the Group for the purposes of this disclosure. The Directors of musicMagpie plc and their immediate relatives control 14.9% of the voting shares of the Group.

Group

The compensation of the Directors, including amounts paid for services provided to the directors of the former parent company (Entertainment Magpie Group Limited) totalled £673,000 (Year ended 30 November 2021: £638,000). See note 8 for further details.

Compensation for other members of the Senior Leadership Team not included in the above totalled £1,095,000. (Year ended 30 November 2021: £986,000).

In addition, Equity-settled share-based payment charges and Employers NI with key management personnel totalled £371,000 (Year ended 30 November 2021: £17,276,000).

Transactions with the Employee Benefit Trust

There were no movements in EBT during the year (2021: issue of shares and satisfaction of exercised options, see notes 27 and 25 respectively) and at the year-end date, the EBT holds 9,195,902 shares representing 8.53% of the share capital of the Company to satisfy future exercises of outstanding and exercisable share option awards.

Other related party transactions

The below transactions related to Northern Entities:

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
Interest on loan and Non-Executive Director fee charges	**—**	176
Waived interest on preference shares	**—**	(185)
Non-executive and monitoring fees	**—**	20

Company

The compensation of the Directors totalled £667,000 (2021: £408,000) and compensation for other members of the Senior Leadership Team £865,000 (2021: £624,000).

In addition, Equity-settled share-based payment charges and Employers NI with the Directors totalled £138,000 (2021: £5,970,000) and Equity-settled share-based payment charges and Employers NI for other members of the Senior Leadership Team £176,000 (Year ended 30 November 2021: £11,230,000).

Other related party transactions

The below transactions related to Northern Entities (shareholder):

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
Interest on loan and Non-Executive Director fee charges	**—**	37
Non-executive and monitoring fees	**—**	4

Notes continued

27. Capital and reserves

Share capital

The authorised, issued and fully paid number of shares are set out below:

	Ordinary shares 30 Nov 2020 Number	Shares issued on incorporation Number	Subdivision of shares Number	Shares issued to Employee Benefit Trust Number	Exercise of warrant Number	Subdivision of shares Number	Ordinary shares issued	Share reclassification Number	Reclassification into Deferred Shares Number	Shares issued Number	Ordinary shares issued on IPO Number	Cancel Deferred Shares Number	Ordinary shares 30 Nov 2021 Number
A Ordinary shares of £0.01 each	375,000	—	—	—	—	—	—	(375,000)	—	—	—	—	—
B Ordinary shares of £0.01 each	—	—	—	—	175,000	—	—	(175,000)	—	—	—	—	—
C1 Ordinary shares of £0.01 each	100	—	—	—	—	—	9,900	(10,000)	—	—	—	—	—
C2 Ordinary shares of £0.01 each	341,500	—	100	—	—	—	—	(341,600)	—	—	—	—	—
D1 Ordinary shares of £0.01 each	11,000	—	—	34,400	—	—	—	(45,400)	—	—	—	—	—
D1(A) Ordinary shares of £0.05 each	16,600	—	—	—	—	66,400	—	(83,000)	—	—	—	—	—
D2 Ordinary shares of £0.05 each	35,000	—	—	—	—	140,000	—	(175,000)	—	—	—	—	—
E Ordinary shares of £2.00 each	1,500	—	—	—	—	298,500	—	(300,000)	—	—	—	—	—
F Ordinary shares of £0.05 each	20,000	—	—	—	—	80,000	—	(100,000)	—	—	—	—	—
G Ordinary shares of £0.01 each	—	—	—	56,117	—	—	—	(56,117)	—	—	—	—	—
H Ordinary shares of £0.01 each	—	—	—	56,117	—	—	—	(56,117)	—	—	—	—	—
Preference shares of £1.00 each	1,100,000	—	—	—	—	108,900,000	—	(110,000,000)	—	—	—	—	—
Deferred shares	—	—	—	—	—	—	—	—	110,790,017	—	—	110,790,017	—
Ordinary shares of £1 each	—	1	(1)	—	—	—	—	—	—	—	—	—	—
Ordinary shares of £0.01 each	—	—	—	—	—	—	—	111,717,234	(110,790,017)	99,072,783	7,772,020	—	107,772,020
Total share capital (£000)	14	—	—	1	2	1,100	—	—	—	991	78	(1,108)	1,078

	Ordinary shares 30 Nov 2021 Number	Shares issued on incorporation Number	Subdivision of shares Number	Shares issued to Employee Benefit Trust Number	Exercise of warrant Number	Subdivision of shares Number	Ordinary shares issued Number	Share reclassification Number	Reclassification into Deferred Shares Number	Shares issued Number	Ordinary shares issued on IPO Number	Cancel Deferred Shares Number	**Ordinary shares 30 Nov 2022 Number**
Ordinary shares of £0.01 each	107,772,050	—	—	—	—	—	—	—	—	36,237	—	—	**107,808,287**
Total share capital (£000)	1,078	—	—	—	—	—	—	—	—	—	—	—	**1,078**

Notes continued

27. Capital and reserves continued

Share capital continued

The ordinary shares have full voting, dividend and capital distribution rights, including on winding up. They are non-redeemable.

The Company was incorporated on 27 October 2020 as a private company limited by shares in England and Wales to act as a holding company for the Group with the allotment of 1 share of £1. Prior to this, the share capital of the Group was represented by the share capital of the previous parent, Entertainment Magpie Group Limited ('EMGL'). The Company was re-registered as a public limited company on 12 April 2021.

The following steps were taken in connection with the Group Reorganisation since the incorporation of the Company. On 5 February 2021:

- the one ordinary share of £1.00 in issue was subdivided into 100 ordinary shares of £0.01 each and redesignated as 100 C2 ordinary shares of £0.01 each.

On 8 February 2021:

- EMGL established a Jersey resident Employee Benefit Trust ('EBT') and issued 34,400 D1 ordinary shares of £0.01 each, 56,117 G ordinary shares of £0.01 each and 56,117 H ordinary shares of £0.01 each to the trustees of the EBT. EMGL provided the funds to purchase by way of a gift of £1,466.34 to the EBT, which was then held on its behalf by EMGL in satisfaction of the subscription price.

On 11 February 2021:

- EMGL undertook a capital reduction (supported by a solvency statement) pursuant to which the share premium account of the company was reduced from £1,689,834 to nil.

On 30 March 2021:

- Lloyds Development Capital (Holdings) Limited ('LDC') exercised its warrant over 175,000 B ordinary shares of £0.01 each with EMGL issuing shares of the corresponding denomination and value.

On 31 March 2021:

- The Company acquired the entire issued share capital of EMGL from the existing shareholders by way of share for share exchange for an equivalent number and class of shares in the capital of the Company.

On 15 April 2021:

- the 16,600 D1 (A) ordinary shares of £0.05 each, the 35,000 D2 ordinary shares of £0.05 each, the 1,500 E ordinary shares of £2.00 each, the 20,000 F ordinary shares of £0.05 each and the 1,100,000 preference shares of £1.00 each were subdivided into 83,000 D1(A) ordinary shares of £0.01 each, 175,000 D2 ordinary shares of £0.01 each, 300,000 E ordinary shares of £0.01 each, 100,000 F ordinary shares of £0.01 each and 110,000,000 preference shares of £0.01 each respectively;
- the Company issued and credited as fully paid 9,900 C1 ordinary shares of £0.01 each as a bonus issue to the existing holders pro-rata to their existing shareholdings at nominal value;
- the entire issued share capital of the Company was reclassified entirely into ordinary shares of £0.01 each;
- 110,790,117 ordinary shares of £0.01 each were reclassified into 110,797,017 deferred shares of £0.01 each;
- the Company issued and credited as fully paid 99,072,783 ordinary shares of £0.01 each in the Company as a bonus issue to the existing holders pro rata to their existing shareholdings at nominal value. This included 11,065,979 shares issued to the EBT in recognition of the shares held by it to settle outstanding share options when these are exercised; and
- all of the deferred shares were repurchased by the Company for an aggregate consideration of £1.00 in accordance with the Articles and such deferred shares were cancelled.

Following completion of all of the aforementioned steps, the Company's existing shareholders held 100,000,000 shares.

On 22 April 2021, the Company issued 7,772,020 ordinary shares of £0.01 each in an IPO for consideration of £15,000,000 at an issue price of £1.93 per share, taking the number of ordinary shares in issue to 107,772,020.

On 4 August 2022 the Company issued 36,237 ordinary shares.

Share premium

The share premium reserve represents the excess amount of value received on the issuance of share capital above the nominal value per share. Costs associated with the issue of new share capital have been offset against this balance.

Capital redemption reserve

The capital redemption reserve represents a non-distributable reserve into which amounts are transferred following the redemption or purchase of own shares.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Merger reserve

The merger reserve in the Company represents the fair value of consideration given in excess of the nominal value of the ordinary shares issued in the acquisition share for share exchange with Entertainment Magpie Group Limited, net of the nominal value of the bonus shares issued.

The merger reserve in the Group represents the nominal value of the bonus shares issued.

28. Financial instruments and Risk Management

The Group has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk, including currency risk and interest rate risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential. Adverse effects on the Group's financial performance. Other than for energy costs, the Group does not use derivative financial instruments to manage risk exposures. This note presents information about the Group's exposure to each of the above risks, the Group's objective, policies and processes for measuring and managing risk, and the Group's management of capital.

Notes continued

28. Financial instruments and Risk Management continued

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Capital risk management

musicMagpie plc considers its capital comprises share capital, share premium and retained earnings.

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to optimise its return to shareholders. The Board's policy is to retain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future growth. The Directors regularly monitor the level of capital in the Group to ensure that this can be achieved. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligation. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

As the principal business of the Group is cash sales direct with consumers, the Group's trade receivables are small. Accordingly, the Group does not systematically report outstanding receivables analysed by credit quality, in particular with respect to the credit quality of financial assets that are neither past due nor impaired. The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk and any associated impairments are immaterial.

Company has trade receivables and intercompany debtors, the expected credit loss on these balances is immaterial.

Exposure to credit risk

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
Trade and other receivables	**917**	1,228
Cash and cash equivalents	**6,806**	2,849
Total	**7,723**	4,077

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, both under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

All financial instruments other than borrowings and lease liabilities have contractual maturities within one year. The following are contractual undiscounted cash flows:

	Contractual cash flows					
30 November 2022	**Carrying amount £000**	**Total £000**	**1 Year or Less £000**	**Between 1 and 2 years £000**	**Between 2 and 5 years £000**	**More than 5 years £000**
Trade and other payables	**8,798**	**8,798**	**8,798**	**—**	**—**	**—**
Bank loans	**14,675**	**14,973**	**177**	**—**	**14,796**	**—**
Lease liabilities	**4,090**	**4,916**	**867**	**969**	**2,357**	**723**
Total	**27,563**	**28,687**	**9,842**	**969**	**17,153**	**723**

	Contractual cash flows					
30 November 2021	Carrying amount £000	Total £000	1 Year or Less £000	Between 1 and 2 years £000	Between 2 and 5 years £000	More than 5 years £000
Trade and other payables	7,758	7,758	7,758	—	—	—
Loan notes	—	—	—	—	—	—
Other loans	—	—	—	—	—	—
Bank loans	887	946	59	887	—	—
Shares classified as debt	—	—	—	—	—	—
Lease liabilities	1,923	2,205	454	346	1,316	89
Total	10,567	10,909	8,271	1,233	1,316	89

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates will affect the Group's net income. The Group's exposure to market risk predominantly relates to interest and currency risk.

Interest rate risk

The Group's interest rate risk arises from its variable and fixed rate instruments being borrowings and finance lease liabilities. Borrowings issued at variable rates exposes the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group monitors the levels of fixed to floating debt held to manage these risks and aims to ensure that it has appropriate cash facilities to meet liabilities as they fall due.

Notes continued

28. Financial instruments and Risk Management continued

Interest rate risk continued

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	30 November 2022 £000	30 November 2021 £000
Fixed rate instruments		
Loan notes	**—**	—
Lease liabilities	**4,090**	1,923
Shares classified as debt	**—**	—
Total	**4,090**	1,923
Variable rate instruments		
Bank loans	**14,973**	946
Other loans	**—**	—
Total	**14,973**	946

Sensitivity analysis

A change of 150 basis points in interest rates at the reporting date would have decreased equity and profit or loss by £106,000 (2021: 100 basis points £74,000). This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates. The analysis is performed on the same basis for all the periods presented.

Currency risk

The Group operates in the UK and US; revenue and costs are typically denominated in local currency. Gains and losses arising on retranslation of monetary assets and liabilities that are not denominated in the functional currency of individual companies are recognised in the consolidated statement of comprehensive income. The Group does not hedge these transaction differences.

Gains and losses arising on the retranslation of US operations' net assets into the consolidation currency are recognised in other comprehensive income and held separately in a translation reserve in equity. The Group does not hedge these translation differences.

The Group's exposure to foreign currency risk is as follows:

	30 November 2022			30 November 2021		
	GBP Sterling £000	**US Dollars £000**	**Total £000**	GBP Sterling £000	US Dollars £000	Total £000
Cash and cash equivalents	**5,834**	**972**	**6,806**	2,348	501	2,849
Trade and other receivables	**836**	**81**	**917**	783	445	1,228
Trade and other payables	**(7,915)**	**(883)**	**(8,798)**	(6,734)	(1,024)	(7,758)
Borrowings	**(14,675)**	**—**	**(14,675)**	(887)	—	(887)
Lease liabilities	**(3,194)**	**(896)**	**(4,090)**	(835)	(1,088)	(1,923)
Total	**(19,114)**	**(726)**	**(19,840)**	(5,325)	(1,166)	(6,491)

The following significant exchange rates were applied:

	30 November 2022	30 November 2021
Average rate for the financial period		
US Dollars	**1.26**	1.38
Balance sheet rate		
US Dollars	**1.21**	1.33

Sensitivity analysis

A 10% weakening of the US Dollar against the Pound Sterling at 30 November 2022 would have decreased equity and profit or loss by £20,000 (2021: increased by £134,000). This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

A 10% strengthening of the US Dollar against the Pound Sterling would have had the equal but opposite effect on the US Dollar to the amounts shown above, on the basis that all other variables remain constant.

Fair values

IFRS 7 'Financial Instruments: Disclosure' requires fair value· measurements to be undertaken using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according 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).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes continued

29. Alternative Performance Measures

Management assess the performance of the Group using a variety of alternative performance measures. In the discussion of the Group's reported operating results, alternative performance measures are presented to provide readers with additional financial information that is regularly reviewed by management. However, this additional information presented is not uniformly defined by all companies including those in the Group's industry.

Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such measures are not defined under IFRS and are therefore termed 'non-GAAP' measures and should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

The following are the key non-GAAP measures used by the Group.

Adjusted profit before tax

Adjusted profit before tax means (loss)/profit before tax before equity-settled share-based payments and other non- underlying items including non- underlying financial expense relating to deal and early termination fees from previous financing.

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
Loss before tax	**(1,457)**	(14,819)
Equity-settled share-based payments	**167**	17,379
Other non-underlying items	**174**	4,621
Non-underlying financial expense	**—**	718
Adjusted (loss)/profit before tax	**(1,116)**	7,899

Non-underlying financial expense includes finance costs in relation to the previous debt structure.

Adjusted EBITDA

Adjusted EBITDA means Adjusted (loss)/profit before tax before depreciation, impairment of property, plant and equipment and amortisation of intangible assets and financial expense.

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
Adjusted (loss)/profit before tax	**(1,116)**	7,899
Depreciation of property, plant and equipment	**3,877**	1,755
Impairment of property, plant and equipment	**835**	410
Loss on disposal of property, plant and equipment	**19**	12
Amortisation of intangible assets	**1,910**	1,517
Financial expense	**946**	581
Adjusted EBITDA	**6,471**	12,174

Adjusted operating cash flow

Adjusted operating cash flow is calculated as Adjusted EBITDA adjusted for movements in working capital.

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
Adjusted EBITDA	**6,471**	12,174
Movements in working capital	**(104)**	(4,922)
Adjusted operating cash flow	**6,367**	7,252

Cash conversion %

This is calculated as cash generated from operating activities in the Consolidated Cash Flow Statement, adjusted to exclude cash payments for exceptional items, as a percentage of Adjusted EBITDA.

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
Net cash generated from operations (from Consolidated Cash Flow Statement)	**6,193**	2,631
Other non-underlying items	**174**	4,621
Cash generated from operations before non-underlying items paid	**6,367**	7,252
Adjusted EBITDA	**6,471**	12,174
Cash conversion %	**98.4%**	59.6%

Net (debt)/cash

This is calculated as cash and cash equivalent balances less outstanding external loans. Unamortised loan arrangement fees are netted against the loan balance in the financial statements but are excluded from the calculation of net cash/(debt). Lease liabilities and hire purchase are not included in the calculation of net debt.

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
Cash and cash equivalents	**6,806**	2,849
Loans and accrued loan interest	**(14,675)**	(887)
Unamortised loan arrangement fees	**(298)**	(113)
External loans	**(14,973)**	(1,000)
Net (debt)/cash	**(8,167)**	1,849

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