musicMagpie

Annual Report and Accounts 2023

Smart for you Smart for the planet

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 secondary market for refurbished consumer technology devices.

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 them 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 unique customer offering.

Contents

Highlights

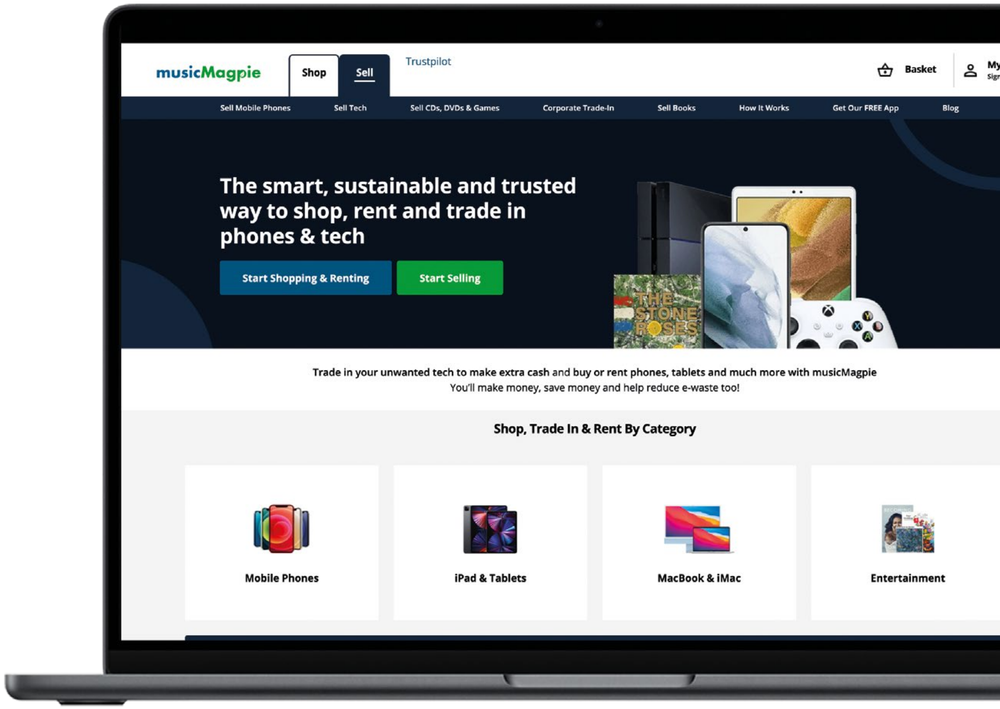
Buy **Sell** **Rent**

Active subscribers	Gross profit	Rental income	Adjusted EBITDA*	Forward contracted rental income
37,100	**£37.9m**	**£8.3m**	**£7.5m**	**£3.6m**

* Alternative performance measure, see note 30 of financial statements.

Financial and Operational

- Adjusted EBITDA up 15.4% to £7.5m (2022: £6.5m) driven by tight control of margins and costs
- Consumer Technology revenue of £95.4m (2022: £96.6m), representing 70% of Group revenue
- Increase in gross margin to 27.7% (2022: 26.3%) with continued focus on margin expansion
- Consumer Technology gross profit increased by15.8% from £20.2m to £23.4m
- Cash generative before investing and financing activities with net cash from operations of £8.1m (2022: £6.2m)
- £30m revolving credit facility with HSBC UK and NatWest committed until July 2026
- Year-end net debt of £13.1m (2022: £7.9m) following investment in rental assets
- Rental book provides recurring revenues, with year-end active renters contributing approx £3.6m of committed revenue into 2024 and assets with a FY23 year end balance sheet value of £7.2m (2022: £6.6m)
- Active subscribers to device rental service increased to 37,100 (2022: 30,500)
- Overheads reduced year on year with additional cost and headcount savings implemented post-year end



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 Consumer technology, 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

decluttr

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

60,000+
square feet of processing and distribution

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

£442m
paid out to customers

Source:

1. Trustpilot
2. Company Update Dec 23
3. c65% of total UK Consumer Tech sales in FY23
4. Based on customer feedback

Trust and brand recognition

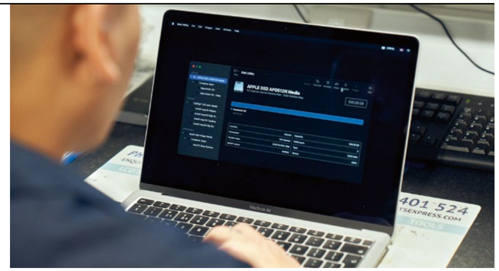
- The leader in the circular economy for Consumer Technology products in the UK
- musicMagpie has an 'excellent' Trustpilot rating with over 284,000 reviews[1]
- 9m registered customers

» Read more on page **02**

Proprietary technology platform powering operational capabilities

- Algorithm-based buying and selling software system
- Offers flexibility to expand into additional product categories
- AI capabilities driving efficiencies across operations and customer contacts

» Read more on page **02**



Significant scale and international footprint

- c65% of UK tech sales direct through own store[3]
- #1 seller in history of both eBay and Amazon worldwide[4]
- Established US presence through the decluttr brand

» Read more on page **06**

Innovative growth initiatives supported by strong market dynamics

- Future growth within the business will primarily be within the consumer tech market, with global sales of second-hand smartphones forecast to rise to 413m units by 2026 augmented by product category extensions

» Read more on pages **07-14**

Compelling ESG credentials

- Over 8.4m items per annum given a 'second life'

» Read more on pages **07 and 17-26**

Chair's statement

"FY23 was a challenging year, but the Board is encouraged by significant gross profit growth from our UK Consumer Tech business.

Martin Hellawell
Non-Executive Chair

Chair's statement continued

Introduction

2023 was a challenging year for musicMagpie with a number of well documented headwinds and continuing macroeconomic pressures impacting UK consumers.

Despite these challenges a focus on gross profit and costs has delivered greater adjusted EBITDA than 2022 on a slightly lower revenue and a net debt position that was pleasingly below our mid-year expectations. Operationally we have made strong progress; our kiosks remain extremely popular with our customers and the installations across 290 Asda stores are now used in the buying process of over 40% of our UK phones. The business has also succeeded in delivering the same for less, with overheads significantly down year on year thereby supporting EBITDA growth. Post-year end the focus on cost control has continued with some targeted savings both in the UK and US.

The Board has also been encouraged by our UK Consumer Technology business's gross profit growth in 2023. However, a key objective now is to grow that gross profit sufficiently to compensate for the anticipated declining contribution from Disc, Media and Books while improving our net debt/cash position and profit before tax performance.

Strategy

The external market dynamics for Consumer Technology are changing. There is a growing consumer demand for an expanding range of tech products, and an increasing willingness to consider buying refurbished. Nevertheless, there is also more competition from a combination of smaller sellers, marketplaces and larger branded businesses including the mobile operators who are becoming more active in the recommerce sector. While this is positive for consumers and the environment, it means that we must remain innovative and focused on delivering value in order to stay ahead of the competition and alert to opportunities that differentiate musicMagpie. It is the Group's innovation and expertise in recommerce that built the Consumer Technology segment to a near £100m business and these qualities will be key as other 'second-use' markets grow and new opportunities arise.

During the year, the Group has refined its Rental ambitions in response to increasing interest rates and the capital requirements of growing a large rental book. In short, rentals provide an excellent long-term profit stream but compared to an outright sale have a negative impact on short-term performance and consume cash to build the rental book. In the near term, Rental will remain as a segmented offering targeted at renters with a higher credit rating and greater propensity to renew. Rental will continue to be a material contributor to the Group but under this refined strategy, it is not expected to grow from the current levels and may see moderate decline as we focus on outright sales.

musicMagpie is a strong brand in the eyes of our customers and this along with our recommerce credentials and expertise remains vital to our growth strategies.

Sustainability, community and our colleagues

musicMagpie strives to ensure that its activities benefit all of our stakeholders, and sustainability is something that we care passionately about and is at the heart of everything we do. We are encouraged by the growing recognition of the importance of re-using goods in order to protect the environment. Reporting and further details on our work in this area can be found on pages 17 to 26.

As well as the inherently sustainable nature of our core services, the business also plays a positive role in the community. Within the limits of its financial constraints the Group is committed to supporting and promoting the local economy and plays an active role in supporting local charities. Participation levels are high and the Board is fully supportive of the efforts that are made by the business in these areas.

Our colleagues are the heart and soul of the Magpie culture and I would like to thank everyone for their hard work and resilience over the past year. Led by our CEO, communications with colleagues are regular and transparent, and I am hugely impressed with the engagement seen at all levels throughout the organisation. For the second year running, we have focused on increasing wages at the lowest end of our pay scales. As we navigate the business into the future, the support of Magpies will remain central to our success.

Board changes

On 31 December 2023, Alison Littley stepped down from the Board. On behalf of my fellow Directors and the wider Magpie team, I would like to thank Alison for her guidance and contribution. Until we appoint a replacement, I will take up the role of Chair of the Remuneration Committee and Dave Wilson will assume the role of Senior Independent Non-Executive Director. Further details can be found in our Corporate Governance Report on pages 35 to 49.

Offer period

In November 2023 the Company entered into an offer period and has subsequently engaged with a number of interested parties to determine if a potential sale of the business could deliver greater shareholder value. No sales discussions have concluded and the business therefore remains in an offer period.

Outlook

Over the past few years growing environmental awareness has seen the recommerce sector flourish and become a mainstream business segment. We are confident that this trend will continue across an ever-broadening spectrum of products and categories. Coupled with the continued cost of living pressures on consumers, we believe that as a sustainability led business committed to delivering value for money, we are well placed to capitalise on current and future opportunities as they arise. musicMagpie has huge experience and expertise in this market and for these reasons we remain confident in the Group's long-term prospects.

M.J.Hellawell

Martin Hellawell
Chair
12 March 2024

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 and new products that we sell to consumers and 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.

284,000
customer reviews on Trustpilot with an overall rating of 4.4

99.3%
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

37,100
active subscriptions

£8.3m
of revenue in FY23

£20 (inc VAT)
average monthly rental

c.£3.6m
forward contracted revenue stream at 30 November 2023

Our business model continued

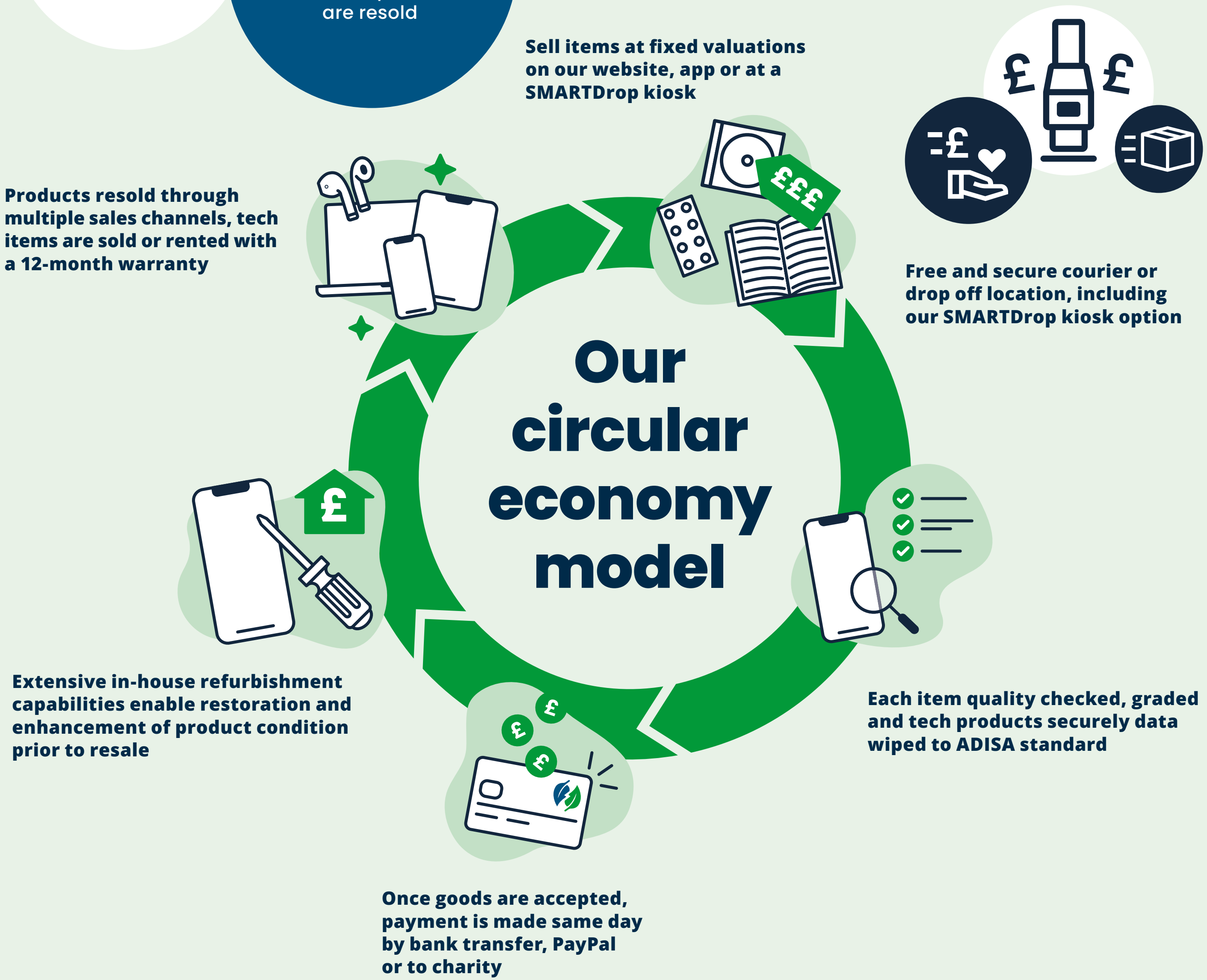
Our circular economy proposition

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.

2.2m
unique visitor sessions per month

c.95%
of the items purchased are resold



Chief Executive Officer’s review

“Focusing on leading the circular economy through a simple plan: buy, sell and rent.

Steve Oliver
Chief Executive Officer and Co-Founder

Chief Executive Officer's review continued

Our ambition is to continue to be a leader in the circular economy and drive profitable growth through second-life products. We will achieve this by executing our fast, trusted and convenient business model across our technology and media products, as well as expanding into other product areas that present opportunities

'Buy'

Buying is the cornerstone of our model, it's the 'fuel for our fire' and allows us to sell and rent profitably. Innovation in this area allows us to be competitive on price and market-leading on trust, convenience and customer service. FY23 was the first year in which our innovative SMARTDrop kiosks were fully installed across a network of 290 Asda stores. These kiosks, which provide a fast and effective way for people to sell their devices for an immediate cash payment, have grown in popularity to the point where at peak approximately 43% of all of our smart phones are being sourced via this route. As well as allowing us to buy devices through a differentiated route, the kiosks also bring significant marketing and brand awareness benefits to our business. During the year we rolled out several pricing initiatives for the kiosks that see differentiated fee structures for purchases made using this channel. This allows us to buy for slightly lower prices, while still delivering a fantastic service to those customers who want immediate payment and/or who value a secure and instantaneous drop off option.

The non-kiosk buying route, which still accounts for the majority of our buying activities, involves the consumer posting their product(s) to our warehouse using the provided choice of free logistics services, and upon arrival, detailed quality checks are undertaken before payment to the customer is made. During the year we have installed and trained Artificial Intelligence (AI) models to understand our phone grading systems. Over time, we expect AI to perform most of our cosmetic grading and thereby enhancing consistency of grading and also providing a productivity cost saving to the business.

Towards the end of the financial year, in line with our renewed focus on gross profit, we took steps in the US to increase our gross margins by reducing buying prices, which naturally reduces volumes but improves the unit economics, selling less product but for greater margin. As volume reduced through the operation, we reduced the headcount accordingly. Our unit economics going into the next financial year are expected to improve which will boost the profitability of the division. While executing this strategy we have seen interesting opportunities emerge where we are able to source product in the US and sell that product more profitably in the UK rather than in its home location. If these opportunities continue, we envisage there may become a point where the US Technology business acts purely as a sourcing avenue for the UK rather than a standalone trading business that sells in its own territory.

"With 284,000 Trustpilot reviews and an excellent 4.4 star rating, it is clear customers value the Magpie brand."

'Sell'

Against a tough consumer macro environment, Group revenues were down on prior year but overall gross margin was 27.7% up from 26.3% in the prior year. This was achieved not only from buying product for less, but from selling product with a clear target margin so that all our sales channels delivered similar returns.

Our routes to market are either direct via the musicMagpie store, or indirect via third-party platforms. The musicMagpie store continues to provide a slightly higher gross margin and a deeper level of customer ownership than selling through platforms; however, we recognise the need to service customers through all channels and tactically distribute product on whatever channel they may wish to purchase as long as that sale delivers sufficient gross margin. So the key is to understand the specific margins of each channel and actively manage sales to acceptable minimums so that while we are channel agnostic we are not gross margin agnostic.

Looking forward into 2024 we expect our enhanced Buy Now Pay Later ('BNPL') offering to have a positive impact on revenues. As we refine our product offering we see the combination of outright sale, BNPL and renting as the full suite of options that refurbished tech buyers require, and which will support our future sales growth. There is a place for instalment purchase plans (BNPL) for cash conscious consumers as well as renting for upgrade and sustainability conscious consumers. As BNPL provides immediate revenue and cash to the business it will complement the longer payback rentals that will continue into 2024. Looking further ahead than 2024, we aspire to grow our product base and hope to grow new product category lines to meaningful levels.

"Consumer Tech gross margin increased from 20.9% to 24.5%"

'Rent'

Our monthly rental subscription model is a disruptive and differentiated offering that provides an attractive and flexible usage offer for refurbished smart phones and other consumer technology products. The model provides a variety of advantages to consumers including a lower cost outlay, a defined renewal pathway and a sustainable approach to consumer technology usage.

Having launched in October 2020, we have now grown the Rental book to 37,100 renters and expanded the offering to include rentals to businesses under the Magpie Circular offering. The advantages to musicMagpie are the quality recurring revenues that rentals provide and the certainty of ownership of devices that we can build into our demand planning models.

To build the rental book requires a carefully balanced approach to opportunity cost, because each phone rented has the lost opportunity of an outright sale, and while the rental over the long term provides more profits, an outright sale in the short term provides immediate cash. During the second half of the year we began to refine the rental product to a more segmented basis and one that is aimed at a narrow customer subset – this refined product is aimed at customers with higher credit ratings and a greater propensity to renew. In the short term, we see our Rental product as a profitable and complementary line of business, but not one that we intend to grow to a mass market.

Chief Executive Officer's review continued

'Rent' continued

Total Rental revenues for 2023 were £8.3m (2022: £5.3m), and gross profit was £7.4m (2022: £4.2m). With the current refined product we expect to see similar levels of revenues in 2024, but without the requirement for significant capital investment. We do not expect our rental book to grow and indeed it is possible that it will modestly decline over time as we continue to refine our rental strategy and balance it with outright sales.

Sustainability

At musicMagpie, we strive to promote circularity by extending the life of products and preventing devices and physical media from ending up in landfills. We believe that as the market shifts towards subscription and rental models, this trend presents significant opportunities for us.

To support this mission, 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 circularity 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.

Looking after our people

I would like to take this opportunity to thank all our amazing colleagues across the Group. This business had humble beginnings, starting as it did in my garage in 2007 but has always placed colleagues at the heart of everything it does. I can say with absolute conviction that, without all of the amazing Magpies with whom I work, this business would not be the innovative circular economy champion that it is today and I am blessed to work with such talented, ambitious and passionate people who care so deeply.

Cost base

As both a buyer and seller of products we can avoid the main impacts of inflation by managing our buy-sell prices. However, inflation across the remainder of our cost base is still an issue. For the second year in a row, we increased rates of pay for our lower-paid colleagues ahead of any statutory deadlines. We believe we can mitigate the impact of this increase by continuing with our regular cost control reviews. For our UK energy consumption, we took steps in 2022 to hedge against price rises and secure fixed future costs. While the current impact of these contracts is a modest £0.1m loss against current market rates, we are pleased to have certainty of pricing and to remain insulated from future price volatility for at least another 22 months.

We have a strong commitment to leaving no stone unturned in our efforts to control costs, and overheads in 2023 were £30.4m (2022: £31.7m). This is an ongoing exercise to reduce costs and increase our profits and post-year end we took the difficult decision to implement further cost and headcount reductions in both the UK and US to right size the business and support our future profits. As part of this, the Non-Executive Directors have also agreed to reduced their fees for the second year in a row, and I remain grateful to my Board colleagues for their support in doing so.

Outlook

I have no doubt that second-use markets will continue to grow as consumer adoption increases in all manner of areas. musicMagpie must maintain its position in its established markets and be agile and purposeful in exploiting new and expanding markets as they emerge. Our mantra of being 'here to help' will continue to apply to consumers, corporates and the environment, and will become ever more relevant in the years to come. We will seek to unlock a 'world of inventory' from consumers homes and provide them with a solution that is 'smart for you, smart for the planet' across both of our existing product categories and potential new product categories going forward. I remain hugely proud of this business, its people, and the positive impact that we are making on our community, wider society and the environment whilst acknowledging that we need to continue to focus on the future financial performance to maximise the potential success, long term security and welfare of the business.

Steve Oliver
Chief Executive Officer
12 March 2024

Case study

Think refurbished, because you don't always have to buy new

David Hughes is a 44-year old Finance Analyst from Poynton, Cheshire

"I've bought loads of refurbished tech from musicMagpie over the years – three mobile phones, DVDs, games consoles and controllers. I bought my refurbished phone after dropping my old one as it needed replacing. I also bought a phone for my son as he was just about to start high school. They all work perfectly well. Plus, the environmental impact is also a great bonus!

"Now I've started buying refurbished tech, there's not a chance I'll buy new again.

"Phones aren't the only thing we buy second hand – we've bought a sofa, armchairs and a 58" TV from charity shops."

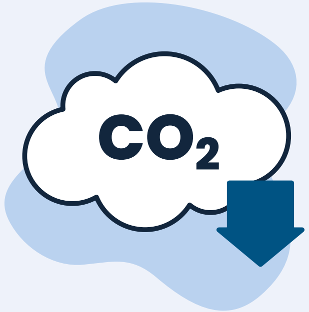
Our strategy

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.

musicMagpie is here to Help!

… consumers easily raise cash in a fast and convenient environment by providing a trusted service to sell their unwanted items

… consumers save money by buying refurbished items with absolute confidence and trust



… educate consumers on reducing waste, to promote positive environmental behaviour

… consumers spread the cost of accessing refurbished items via our BNPL solutions or flexible monthly rentals

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
- Small number of other installations in high footfall shopping centre locations
- 90% of UK's population lives within a 15-minute drive of a kiosk
- 43% of UK phones by value now being sourced from kiosks

£20.5m
paid out from kiosks since launch

Future priorities

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

43%
proportion of UK consumers bought phones sourced from kiosk

Links to risks

A C E F

» Read more about our risks on pages **33 and 34**

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

- Consumer Technology now 70% of Group revenue
- Consumer Technology gross margin of 24.5% up from 20.9%

£30.5m
total gross profit from all outright sales

70%
Consumer Technology 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
- BNPL to be further enhanced and added to our suite of customer options

x4
active global platforms

Links to risks

A C E F

» Read more about our risks on pages **33 and 34**

Case study

Save twice with a SIM-only deal and a refurbished handset

Irene O'Neill from Northern Ireland. When buying iPhones for her family, she always buys refurbished ones; since she started shopping with musicMagpie, she's saved over £1,000. It gives her more money to spend on her family, especially at Christmas.

"If you have a phone and SIM contract, in total you're paying around four or five times more than the price of a refurbished phone. My partner and I pay £10 a month each for our SIM and my children's are £7 a month, compared to a contract that would be £40 a month. I don't think it's worth it, especially over 18 or 24 months, so it's much more cost effective to go refurbished.

"I've shopped around and checked prices on different sites, but I've always gone back to musicMagpie as they have the best prices. A few years ago, I shopped around and got a phone slightly cheaper, just to try it, but the delivery was a week or two longer, especially for Northern Ireland, compared to musicMagpie's 2–3 days. You have to consider the whole experience – the delivery, warranty and quality play a massive part, all of which are better with musicMagpie.

"I've saved around £1,000+ buying refurbished devices, which went towards Christmas each year. I always buy refurbished phones as Christmas presents. A saving of £200–£300 per iPhone as a present means that it can be spent on more gifts for that particular person or on someone else. It gives you a bit of extra money at a time when you need it."

Our strategy continued

Rent more

An affordable and flexible subscription model.

Key achievements

- 37,100 active renters at 30 November 2023
- Contracted renter book providing future cash flows and returning handsets

37,100
active renters

£20
average monthly consumer payment (inc VAT)

Future priorities

- Continue with the refined offering, focused on higher credit rated customers
- Continue to push the offering to corporate customers

£3.6m
forward contractual rental income

£7.2m
balance sheet asset

iPhones from just
£8.99
per month!

Links to risks

A B C D E F H

» Read more about our risks on pages **33 and 34**

Case study

Renting is good for your pocket and good for the environment

Carl Thompson is a 51-year old solutions consultant from Yorkshire, currently renting an iPhone 11 from musicMagpie for his wife. He came across the option to rent a phone instead of buying one when browsing on musicMagpie's website. Carl believes renting has saved them approximately £15-£20 a month compared to what they were expecting to pay on a contract, saving up to £240 a year.

"Everyone in the house has a phone with contracts ending at different times, so I'm always looking at having to get new phones and upgrading. I came across musicMagpie's rental offering when I was on the website and I decided to go for it – I was really surprised with how easy the process was and also how cost effective it ended up being. When we received the phone it was also like new – you wouldn't know it was refurbished.

"From an environmental point of view, I also believe that rental is the ultimate green way to own a phone as it feeds into that circular economy. This has also made me think about renting other things.

"Renting has been a great experience – I'll be considering it when my contract comes to an end in April and I've also been looking to rent a laptop for my son."

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 2023, the Board of musicMagpie 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 2023. 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

Magpies 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 news feed
- Cycle of Senior Leadership Team ('SLT') site visits and 'meet and greets'

Engagement outcomes

- Launch of the NEST – an online suite of software products that supports employees in their work scheduling, their newsflow, their absence reporting, etc.
- Increase in lower levels of pay to reflect increases in cost of living
- Performance-based rewards for 'top talent'
- Leadership development programme completed

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

- 284,000 Trustpilot reviews – 4.4* rated excellent
- Customer satisfaction ('CSAT') performance metric above target

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
- 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 wider 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 colleagues
- 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

- Hours of volunteering for local projects
- Significant cash raised for charity

As a market leader in the recommerce sector, we recognise we have an important role to play in expanding the circular economy as part of the transition towards a net zero future.

Task Force on Climate-related Financial Disclosures

In this year's report we have once again aligned with the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'). The TCFD recommendations are built on four pillars: governance, strategy, risk management, and metrics and targets, with 11 recommended disclosures relating to the climate-related risks and opportunities we face as a business.

This is our second year of TCFD reporting, but first in compliance with the UK Government's Climate-related Financial Disclosure ('CFD') regulations that came into effect for accounting periods beginning on or after 6 April 2022.

Governance

We recognise that a robust governance structure will be crucial in ensuring accountability, transparency, and success in addressing our climate impacts.

COO Ian Storey took on executive responsibility for climate-related matters from Sam Vesey, the former Chief Sustainability Officer ('CSO') who departed in April 2023. The COO provides a monthly update to the Senior Leadership Team on sustainability matters, and regularly updates the Board on key sustainability issues which are summarised in an annual presentation. There are weekly meetings between the COO and the Group Head of Sustainability to review progress on the implementation of sustainability initiatives.

At management level, the sustainability working group, which continues to be led by the Group Head of Sustainability, is comprised of representatives from key areas across the business.

The working group is responsible for supporting the ongoing development of our carbon management strategy and the identification and assessment of climate-related risks and opportunities. The working group meets on a quarterly basis and as important matters arise. This schedule includes a twice-yearly session to review climate-related risks and opportunities where the results are shared with the Senior Leadership Team.

In 2023, we completed a number of projects with external experts, including the formalisation of our carbon management strategy and an initial, qualitative scenario analysis assessment which was overseen by our CFO.

We continue to operate the Carbon Literacy programme across the Company to transform our culture from the bottom up and bolster internal capabilities for managing climate-related issues effectively. Our aim in 2024 is to engage with more colleagues and even suppliers to improve carbon literacy.

Governance framework

Board

- Oversees all aspects of ESG-related matters.
- Ensures the Group maintains an effective risk management framework, including climate-related risks and opportunities.
- COO regularly attends Board meetings, updating on progress against the Group's net zero pledge and as other important matters arise.

Informing

Reporting

COO and SLT

- The Group Head of Sustainability reports into the COO, who has ultimate responsibility for the implementation of the Group's ESG strategy, including the effective management of climate-related risks and opportunities.
- The COO provides an update to the SLT on the working group's progress biannually.

Informing

Reporting

Sustainability working group

- Led by the Group Head of Sustainability.
- The working group is responsible for the identification and assessment of climate-related risks and opportunities, and the day-to-day implementation of the Group's carbon management strategy.

Sustainability continued

Risk management

The COO, Group Head of Sustainability and the Sustainability working group hold responsibility for the identification, assessment, and management of climate-related risks. Two sessions are held annually between the working group and external experts to appraise a range of climate-related risks and opportunities. The risk assessment process considers:

- current and emerging regulation;
- legal;
- market;
- technology;
- consumer preferences; and
- physical (acute and chronic).

When considering climate-related opportunities, the following categories have been included:

- resource efficiency;
- energy source;
- products and services;
- market; and
- resilience.

When identifying and assessing risk, we have used the following time horizons:

- Short term: 0–3 years
- Medium term: 3–6 years
- Long term: 6 years+

The outcomes from the assessments are communicated to the SLT and the Board as required. Significant risks are included within the principal risk register as necessary.

This year, two climate-related risks and one opportunity have been identified as material; because of the inherent sustainability benefits of our business model, these risks and opportunities align closely with those identified within the principal risk register (competition, reputation, and trust) on page 34.

Description and impact	Mitigating controls	Change in year
CR1 Increased cost of supply	**Links to risk A**	**Time horizon: S|M|L**
• With ever-increasing awareness of climate change among both businesses and individuals, demand for second-hand products will increase. • An increase in demand could intensify competition in the recommerce sector, potentially posing challenges to our ability to sell if there is a shortage of supply. • These factors may contribute to higher unit costs for the products we acquire, affecting our ability to sell.	• Ensure competitive pricing. • Expand reach and accessibility through SMARTDrop kiosks. • Increase flexibility of our offering through the rental model, which will increase our control over the product in subsequent lifecycles, as well as the 'buy now pay later' option. • Innovations within the refurbishing process will enable us to maximise the volume and quality of the products we resell, as well as the number of components we can successfully recover.	↑
CR2 Increased stakeholder concern or negative stakeholder feedback	**Links to risk B**	**Time horizon: S|M|L**
• Key stakeholders, such as customers, consumers, and investors, are becoming increasingly conscious of their environmental impacts. • While our business model is inherently sustainable, it is essential that we continue to operate in a more sustainable manner and mitigate our climate impacts as much as possible. • Reputational damage in relation to climate change could lead to loss of revenue or negatively impact share price.	• Proactive approach to reducing our operational emissions, such as through the implementation of a new EMS at Hazel Grove and energy efficiency improvements at multiple UK facilities. • Collaborate with key value chain partners on climate-related challenges, promoting exchange of emissions data and identifying emissions reduction levers. • Annually reviewing and refining our methodology for quantifying Scope 3 emissions, ensuring we are providing stakeholders with an up-to-date picture of our climate impacts and the benefits of our products.	← →
CO1 Development of low-emission goods and services		**Time horizon: S|M|L**
• Circularity and resource efficiency will play a key role in the net zero transition, which could increase demand for our existing low carbon product offering. • While an increase in demand will increase competition for second-hand phones, general consensus is that musicMagpie will be able to maintain/increase market share.	• Continue to boost our reputation as one of the first key players within the recommerce sector. • Investment in R&D will enable us to maximise the volume of second-hand products available for resale and the average profit margin on each sale.	← →

Sustainability continued

Strategy

The strategy pillar of the TCFD focuses on the actual and potential impacts of climate-related risks and opportunities on our business, strategy, and financial planning.

Our core strategy is to provide consumers with a smart, trusted, and sustainable way to buy, rent and sell refurbished consumer technology and physical media products.

A circular economy is a green economy – the more we buy, sell, and rent as a business, the less demand there will be for rare earth metals, plastics, and the emissions-intensive processes associated with extracting and manufacturing them.

Whilst our business model is inherently sustainable, we are always looking for opportunities to build climate resilience into our business strategy and where possible, operate more sustainably. An update on our achievements throughout the reporting period is provided in the table to the right.

As we look towards FY24, we will continue to implement our strategy to buy more, sell more and rent more. We are 'here to help' our customers and aim to make interactions with musicMagpie as a seller or customer, simple, quick, and convenient. By providing high quality refurbished products with a second life, and making life easier for customers through our SMARTDrop kiosks, faster payments, easy returns and flexible payment terms, we can help accelerate the growth of the circular economy.

We have continued our focus on energy efficiency, completing two further measures in December 2024. Following the successful implementation of the energy management system ('EMS') at our Hazel Grove site, we have installed a second EMS at our Macclesfield site to reduce our natural gas consumption. We have also installed electric infra-red ('IR') heaters to our Tech refurbishment room.

This space has extractor fans in permanent use, and we wanted to find the most efficient, cost effective and least emissions intensive way of adequately heating colleagues working in this area. IR proved to be the best fit for this and we are now looking at IR options for other areas of the business. We are continuing the work started in 2023 with the overhaul of the lighting at our Macclesfield site and we are finalising the Hazel Grove retrofit programme. We are looking to replace older lighting types with more efficient lighting that integrates controls to reduce our energy consumption.

Achievements in FY23

Products and services

- Boosted buying by **SMARTDrop kiosks** installed at 290 Asda stores throughout the UK, forming a key part of the trend towards direct-from-customer sourcing. The kiosks are responsible for a significant proportion of our UK Consumer Tech sourcing and we have bought over 80,000 phones and paid out over £20m to customers via them.
- Generated a greater percentage of UK consumer technology sales through the **musicMagpie store** as part of a marketing drive. We have the opportunity to build stronger relationships with customers buying directly through our website.
- Continued growth in active **Rental subscriptions** to 37,100 at year end (30,500 in 2022 at year end) across mobile phones, iPads & tablets, and wearables. Our subscription service continues to help develop the circular economy and reduce e-waste.

Operations

- **Energy management system ('EMS') installed** at our Hazel Grove site in January 2023, providing us with greater control and visibility of our fuel spend and consumption. Average gas oil consumption has decreased by 11% following the EMS's implementation.
- **Lighting systems have been upgraded** at multiple UK facilities throughout the year. At our Macclesfield distribution centre, we assessed and upgraded all light fittings to latest LED models with occupancy sensors in February and began a similar project at Hazel Grove in September. All new fittings have been sourced from a local manufacturing firm based in the north of England.
- **Removed paper towels** from all washrooms, replacing with high powered, low energy hand dryers. This has saved circa £20k per year and reduced a portion of our general waste stream that is sent to energy from waste.

Supply chain

- Expanded **engagement** with key suppliers on climate-related issues, requesting emissions data and shared action implementing mitigation measures.
- **Zero Waste to Landfill** accreditation for UK Distribution centres received in June. Working closely with our recycling partner Reconomy, we have reduced the amount of waste we generate, recycled more and achieved Zero Waste to Landfill status at these sites.

Research and development

- In 2023 we started work on market-leading **AI grading** which will be introduced in 2024. Consistency in grading is a significant challenge that can result in friction with customers and lost margin. We have built our own AI solution to help standardise grading and remove subjectivity within musicMagpie.
- Our business improvements team have developed enhanced techniques for **screen repairs**. The key outcome of this is that we are now able to 'skim' the glass off a phone screen and keep the underlying component LCD/OLED as original.
- Starting to identify **new product categories** that are suitable for the recommerce model to expand our product range for customers.

Sustainability continued

Strategy continued

Packaging continues to be an area of focus as we look to minimise the amount of packaging we use. We are investigating whether we are able to reduce the use of pallet wrap by using reusable pallet covers. Once the covers reach end of life they can be sent back to the manufacturer to be remade into something else. We are investigating if we can streamline console packaging to eliminate the use of plastic, enabling full recycling through kerbside collections.

To reduce our water consumption, we plan to install an automated water meter at our Hazel Grove site. Through improved monitoring of our water usage, we aim to reduce consumption where possible. We are also investigating rainwater harvesting on site to further reduce our consumption.

Engagement beyond our value chain

musicMagpie has been accepted onto the Transport for Greater Manchester's ('TfGM') Business Transport Advisory Council ('BTAC'). The BTAC seeks to understand how businesses view the transport network and what businesses need to enable more colleagues and customers to use sustainable transport, and their priorities for public transport and active travel. We will actively participate in the council, hosting the April 2024 meeting and work with TfGM to help our colleagues commute to work sustainably. We are also looking forward to working with Stockport's Proper Good Business Club throughout 2024. This is an opportunity for businesses and social enterprises to come together to identify practical solutions to address some of our society's more pressing issues across the local community. We are looking to promote the use of volunteer days for colleagues to get involved.

In July 2023, we attended the Manchester Sustainability Show. This was an opportunity for us to showcase our SMARTDrop kiosk and how we refurbish phones and tablets. We were the first company from the recommerce sector to attend the show, and it was a great opportunity for us to raise our profile and talk about our business and approach to sustainability.

Finally, we are excited to work with our charity of the year for 2024, SignPost for Carers. As well as fundraising on behalf of the charity, we are also planning to use the knowledge and skills we have gained over the past couple of years to help the charity reduce its greenhouse gas ('GHG') emissions and energy consumption. We hope to be able to support the charity in reducing its energy costs which means it has more money available to support carers across Stockport.

Climate-related scenario analysis

In 2023, we conducted scenario analysis for the first time to evaluate how the materiality of climate-related risks and opportunities affecting our business will evolve over various time horizons. The outputs have helped to verify our alignment with net zero and our resilience to a wide range of potential risks that could occur in the coming years.

We adopted a high level, qualitative approach for this initial assessment, considering the physical risks of climate change to our building assets and supply chain and, more materially, the transition risks and opportunities associated with global decarbonisation.

Scenarios: transition risks and opportunities

Our main climate-related risks and opportunities have been assessed against three of the Network for Greening the Financial System ('NGFS') reference scenarios: Net Zero 2050, Delayed Transition, and Current Policies. Three time horizons were also assessed: short term (2025), medium term (2030) and long term (2040). We have selected 2040 as our long-term horizon as this is the closest five-year milestone to our Zero Carbon Manchester commitment of 2038.

The combination of transition and physical risk associated with each scenario varies, but transition risk exposure will broadly be dictated by the speed and nature of policy changes, innovations in technology, market dynamics and consumer preferences. For example, a business-as-usual approach (most closely represented by the 'Current Policies' scenario) maintains a relatively low degree of transition risk but results in more significant physical risk in the second half of the century. Given the material climate-related risks and opportunities, we have identified as part of our risk assessment process both relate to the transition; we have selected two scenarios where transition risk is heightened.

Sustainability continued

Strategy continued

Scenarios: transition risks and opportunities continued

The results of the assessment against our material climate-related risks and opportunities are shown below. Secondary climate-related risks, such as our ability to meet future targets and the impact of carbon pricing, were also evaluated. Our key findings were:

- The Net Zero 2050 scenario represents an orderly transition and results in a quicker, but less material ramp-up in transition risk to 2040.
- In the Delayed Transition scenario, transition risk is concentrated from 2030, and is more material as a result of a less effective transition – climate policies diverge across jurisdictions, and the more urgent need to decarbonise as a result of inaction in the short- and medium-term results in potential supply constraints as a number of competitors move into the recommerce sector.
- Helped to highlight that while we are the sustainable option now, we must put measures in place to ensure we remain the sustainable option on the journey to net zero. However, as more players enter the market, this should lead to further standardisation and validation of the recommerce sector.
- Our ability to meet our target is highest under the Net Zero 2050 scenario as there is an orderly transition and key enabling actions such as the decarbonisation of the electricity grid and action from tech companies are more likely to materialise sooner. Under the Current Policies scenario, it is assumed that it would be extremely difficult to meet our net zero commitment. However, the probability is that stakeholder expectations would be revised significantly.
- Demand for second-hand products is not purely dictated by climate-related issues – in the Net Zero 2050 scenario, consumer concerns for the environment become a primary reason for buying second hand and present a significant opportunity for us as a business. In the Current Policies scenario, climate-related issues still generate demand for second hand, but price point remains the biggest driver.

When considering the range of transition risks and opportunities we have reviewed, we feel that we are well equipped to effectively manage them today and into the future. The recommerce sector will play an important and increasing role in the transition to net zero and reducing impacts on the natural environment. The analysis has highlighted the importance of actions from tech manufacturers to reduce embodied carbon within their products and the decarbonisation of the electricity grid as key enabling factors to our net zero commitment.

Transition risk impact on musicMagpie by scenario and time horizon

		Net Zero 2050			Delayed Transition			Current Policies		
		2025	2030	2040	2025	2030	2040	2025	2030	2040
CR1	Market (increased cost of supply)	1	4	5	1	2	6	1	2	3
CR2	Reputation (increased stakeholder concern)	1	3	4	1	1	4	1	1	1
CR3	Ability to meet targets	2	2	2	4	4	3	2	2	2
CR4	Impact of carbon pricing mechanisms	1	2	3	1	1	2	1	1	1
CO1	Development of products/services	4	5	6	2	3	6	2	2	2

Immaterial

High risk 6 5 4 3 2 1 2 3 4 5 6 High opportunity

Sustainability continued

Strategy continued

Scenarios: physical risks

In 2023, we also conducted a separate scenario analysis to better understand our exposure and resilience to the physical hazards of climate change. EarthScan™ allows us to evaluate physical risk on all operational sites for a suite of hazard types, timescales, and scenarios.

We used EarthScan's data and insights in our portfolio and asset-level climate risk intelligence for the following climate hazards: flooding, heat stress, precipitation, extreme wind, drought, and wildfire. Insights have been based on three of the Intergovernmental Panel on Climate Change ('IPCC') scenarios:

- **Business-as-usual (SSP5/RCP8.5)**
  Emissions continue to rise over the 21st century, the worst-case scenario.
- **Emissions peak in 2040 (SSP2/RCP4.5)**
  Emissions do not increase beyond 2040. This is the climate scenario that most closely resembles current policy commitments.
- **Paris aligned (SSP1/RCP2.6)**
  Emissions are aligned with Paris Agreement targets. This is the best-case scenario.

The outputs from the assessment are detailed across the short, medium and long-term time horizons. Unlike the scenario analysis of our transition risks and opportunities, the long-term time horizon extends out to 2050.

The majority of physical risks under evaluation are immaterial across all scenarios and time horizons. Heat stress is the most significant hazard to our operations – in a business-as-usual scenario, our building assets are forecast to be at medium risk of heat stress. However, by 2050, the Georgia (US) facility will be at high risk that temperatures will most likely exceed 40 °C and heatwaves will last longer than 15 days, which can cause damage to infrastructure, increase cooling demand and lead to a loss of worker productivity.

Whilst our overall portfolio risk is low for wind risk, there is a high risk exposure to our Georgia facility. Extreme wind events can occur during extreme weather events such as storms, hurricanes, tornadoes, etc., and can cause physical damage to buildings and the surrounding area which could disrupt our operations.

We are now considering the implications for our business from these physical risk exposures and will assess the adequacy of our mitigations and controls to minimise any disruption to business operations.

There is limited variance in physical risk materiality across the three scenarios due to the inertia in the relationship between GHG emissions and changes to climate systems – the rate at which the world decarbonises in the short term will not begin to significantly impact the physical impacts of climate change until the second half of the century and beyond.

Physical risk impact on musicMagpie by scenario and time horizon

	BAU			Peak 2040			Paris-aligned		
	2025	2030	2050	2025	2030	2050	2025	2030	2050
Combined physical risk	3	3	4	3	3	4	3	3	4
Flooding	1	1	1	1	1	1	1	1	1
Wind risk	1	1	1	1	1	1	1	1	1
Heat stress	3	3	4	3	3	3	3	3	3
Precipitation risk	1	1	1	1	1	1	1	1	1
Drought	1	1	2	1	1	1	1	1	1
Wildfire	1	1	1	1	1	1	1	1	1

Materiality

High risk 6 5 4 3 2 1 Immaterial

Sustainability continued

Metrics and targets

The metrics that we use to monitor our principal climate-related risks and opportunities are closely linked to our overall performance metrics as a business such as active subscribers to our rental model, number of tech items purchased and the amount paid out to customers.

We monitor a range of environmental performance indicators including our greenhouse gas ('GHG') emissions and underlying energy consumption. We also track our waste data across our UK distribution centres as part of our zero waste to landfill commitment. Our plan is to develop monitoring of our water consumption as we introduce automated water monitoring at our Hazel Grove site.

GHG inventory

Our GHG inventory and underlying energy consumption for the FY23 reporting period is detailed on page 25, compared against the previous year. Our inventory includes all Group operations across UK and USA and disclosures have been independently quantified by Envantage in accordance with the GHG Protocol standards and are compliant with the UK's Streamlined Energy and Carbon Reporting ('SECR') requirements.

Our unique business model makes Scope 3 accounting particularly challenging. For example, the embodied carbon within the tech and media we acquire to resell is a key contributor to our inventory. There are different approaches a company could take when accounting for these emissions, including accounting for zero emissions of purchased second-hand products. Our approach to quantifying our emissions takes a fair and reasonable share of emissions arising from the products we derive value from.

To this end, we have made some significant changes in our approach to calculating our Scope 3 emissions this year to improve the accuracy of our methodology. However, in some cases we have not been able to update the previous reporting period as we do not have the same level of data and information available for last year. On this basis, caution should be exercised when interpreting the reduction in our emissions particularly within the purchased goods and services and use of sold products emission categories as it is likely that our FY22 emissions are overstated and would be lower if we had the same quality of data available as we have used for this year. Over time the quality of our inventory data will improve and by the time the FY24 inventory is complete, we should be able to make a much fairer year-on-year comparison.

Targets and commitments

We remain committed to achieving net zero status by 2038 in line with Manchester City Council's Zero Carbon Manchester goal. Given the changes in our GHG quantification methodology, the formalisation of a near-term emissions reduction target is still ongoing.

While we are yet to commit to validation by the Science-Based Targets initiative ('SBTi'), we commissioned external experts to draft a Board paper outlining SBTi-validated trajectories which are under review to cement our existing commitments.

GHG calculation methodology

Purchased tech and media products – When considering the second life of products, some accounting methodologies argue the embodied emissions within products should stay with the original manufacturer. This would effectively 'cut-off' our emissions as zero across purchased second-hand products.

To be more conservative, we are accounting for a portion of these emissions and have taken a hybrid approach between the 'allocation' and 'cut-off' methodologies for tech products. We account for a proportion of the embodied emissions within a product based upon how many years it is through an average life cycle. For example, Apple has applied a four year cut-off to all iPhones. If we purchase a second-hand iPhone after two years, we account for 50% of the embodied emissions. If the iPhone is beyond the average life cycle, we cut-off the emissions and assume these emissions have already been accounted for.

For media products, we have taken a different approach assuming products have on average three lifespans. On this basis, we account for one-third of the embodied emissions within our purchased goods and services.

Where we have visibility of tech products that we have already handled and therefore accounted for their emissions, we exclude these emissions for purchased goods and services and end of life treatment. In future inventories, we are considering how we could apply this methodology to media products.

We have utilised supplier specific emission factors (i.e. product carbon footprints for tech items) and when they are unavailable, we have used an average emission factor by product type (e.g. smartphone, tablet, book, DVD, etc.).

Another important consideration for products that are given an extended life is to account for the emissions associated with the refurbishment process. These emissions are included within our Scope 1 and 2 (operation of our sites and refurbishment process), and Scope 3 (spare parts, consumables, etc.) inventory.

Emissions calculated from financial spend information – We have updated the spend-based emission factors used to calculate elements of purchased goods and services, capital goods, transportation and distribution, business travel (excluding grey fleet) and waste generated in operation emissions. This year, we are utilising region-specific databases that better reflect the emissions associated with our purchasing activities in the UK and US. Our FY22 emissions have been restated to reflect this change in methodology.

Use of sold products – We have also made refinements to our use of sold product calculations. We have utilised more product-specific energy usage profiles where available and country of sale electricity emission factors. As we refurbish tech items to a high standard and provide them with an extended lifespan, we account for 75% of the original use phase emissions of the product to account for the 'next life' use phase.

Rental – Products that are rented to customers now form part of our downstream leased asset emissions (a small number of rental products in FY22 were included within the use of sold products as this was an emerging category and not tracked separately from sold products).

1. The UK emission factors were published by DEFRA and the University of Leeds using a 2020 dataset. The factors used for the United States are based upon the EXIOBASE database of environmentally extended input output ('EEIO') emission factors specific to the United States.

Sustainability continued

Metrics and targets continued

GHG calculation methodology continued

Scope 1 and Scope 2 emissions – 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 fuel energy disclosures have been converted into GHG emissions using factors published by BEIS in 2023.

For comparison, our location-based emissions for FY23, calculated using the grid average emissions factor, were 302.1 tCO_2e (295.5 tCO_2e in FY22).

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. Some 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 immaterial.

Company cars and grey fleet emissions quantified using fuel card transactions and mileage expense claims. Fuel and mileage have been converted into equivalent energy and GHG emissions using 2023 BEIS emissions factors. Vehicle average size and fuel type have been assumed.

Upstream transportation and distribution – Where carrier-specific emission factors are available, which are typically kg CO_2e per parcel, we have multiplied that factor by the number of parcels delivered by the carrier. If we do not have a specific emission factor, we have used financial spend information.

End of life treatment – We have quantified emissions using product-specific emission factors when available. This has only been applied to first cycle products, which are products musicMagpie is selling for the first time. Any rental products or 2 cycle onwards products have no end of life emissions. We have estimated the weight of sold products by category type. To calculate the associated emissions, we have used emission factors based on waste type and treatment method, and UK waste statistics to create a weighted average emission factor. These factors have been used for both the UK and USA sold products.

Employee commuting – To calculate employee commuting and home working emissions in FY23, we used the results of our commuter survey from last year and this year's headcount to estimate our emissions.

Our Scope 1 and 2 emissions have increased by 6% compared to last year. Natural gas consumption has increased significantly at our Hazel Grove site and there are multiple factors that caused this increase. Firstly, there has been a supplier billing issue which has led us to be underbilled prior to May 2023 as we received an invoice with consumption ten times higher than our average monthly consumption. We have apportioned the consumption in this invoice over the proceeding eight-month period to 'smooth' our consumption out, but it is unclear when this error initially began so it is difficult to obtain a picture of our actual consumption for FY23. Also, during 2022, the area on site utilising natural gas for heating was being refurbished; therefore, consumption was lower throughout the period. During the refurbishment, we have installed additional gas heating as we have converted warehousing to additional workstations for media product processing. We have installed an energy management system to operate our heating systems as effectively as possible. It is difficult to understand exactly what our gas consumption was as a result of the billing issue, and we are investigating measures to ensure accurate billing in future.

Our market-based electricity emissions have increased by 6.4 tCO_2e (nil tCO_2e in FY22). All our electricity supply contracts are now placed with suppliers providing a full renewable energy tariff backed with renewable energy certificates. However, there is a brief period in December 2022 where we were on a standard energy tariff whilst we waited for our renewable contract to go live. Looking towards FY24, we will reduce our market-based emissions to zero and maintain our sourcing of renewable electricity to operate our facilities.

Across all other Scope 1 emission sources we have reduced our emissions across gas oil, LPG and company vehicles by implementing energy efficiency measures and reduced our HFC emissions from air conditioning units by obtaining actual data from services records and reducing the use of the screening estimation methodology.

Scope 3 emissions have reduced by 22.1% compared to last year. This decrease is being driven by a reduction in both the purchase and sale of products which affects our two largest emission categories: purchased goods and services and the use of sold products.

Whilst the improvements we have made in FY23 to our methodology make our inventory more representative, caution should be used when comparing against last year. The size of the reduction is exacerbated by the changes in methodology where we have been unable to replicate the improvements across the FY22 inventory, as outlined in the methodology section on the pages above. It is likely that our FY22 emissions are overstated and once we have two inventory periods with a like-for-like methodology, we can make a fairer comparison between years.

Our largest Scope 3 emissions category is purchased goods and services which has fallen by 16.7% compared to last year. As we have purchased less tech and media products during the year, this has resulted in fewer emissions. Our emissions in FY22 are likely to be overstated when compared to this year as we have not been able to update our improved methodology across all tech items purchased.

Our emissions from the use of sold products have fallen by 39.6% compared to last year. Our tech item sales are lower than last year, particularly across gaming consoles which are our most emissions-intensive product category. We have been able to make some refinements to the FY23 dataset by using product-specific factors; however, we have not been able to replicate this across all products for FY22. Similar to purchased goods and services, emissions in FY22 are likely to be overstated when compared to this year as we have not been able to update our methodology.

Emissions from the purchase of capital goods have fallen significantly this year, as we have completed our one-off expenditure for the rollout of the SMARTDrop kiosks in FY22.

Other Scope 3 emission sources such as end of life treatment, and transportation and distribution have fallen as we have sold less products during the year. This change of emissions is not impacted by the methodology change. Employee commuting and homeworking emissions have fallen as our employee headcount has reduced compared to last year. Finally, fuel and energy-related emissions have increased due to the increases in our energy consumption.

Overall, our total GHG emissions have fallen by 21.9% compared to last year. Whilst we are confident our emissions are lower this year, the likelihood is our FY22 total emissions are overstated, resulting in a larger reduction in emissions. As we look towards FY24 we should be able to make a fair comparison year on year.

Sustainability continued

Metrics and targets continued

GHG calculation methodology continued

		FY23	FY22	% change
Energy (kWh)				
Heating energy[1]		**1,516,945**	1,420,717	6.8%
Electricity		**1,156,296**	1,232,807	-6.2%
Transport[2]		**14,665**	46,366	-68.4%
Total energy		**2,687,906**	2,699,890	0.4%
GHG emissions (tCO_2e)				
Scope 1	Natural gas	**196.5**	156.9	25.2%
	Gas oil	**110.2**	123.7	-10.9%
	Company vehicles	**1.3**	8.7	-85.0%
	LPG	**2.9**	3.1	-7.5%
	HFCs	**9.5**	15.2	-37.3%
Scope 2	Electricity[3]	**6.4**	—	—
Scope 3	Purchased goods and services	**27,746.7**	33,321.4	-16.7%
	Capital goods	**7.5**	513.1	-98.5%
	Fuel and energy-related activities	**157.4**	144.4	9.0%
	Upstream transportation and distribution	**2,030.7**	2,575.5	-21.2%
	Waste generated in operations	**40.5**	81.9	-50.6%
	Business travel	**6.3**	10.9	-41.7%
	Employee commuting and homeworking	**412.6**	527.3	-21.7%
	Use of sold products	**5,263.6**	8,715.1	-39.6%
	End of life treatment of sold products	**672.5**	885.8	-24.1%
	Downstream leased assets	**87.1**	—	—
Total Scope 1		**320.4**	307.6	4.1%
Total Scope 2		**6.4**	—	—
Total Scope 3		**36,424.9**	46,775.4	-22.1%
Total GHG emissions		**36,751.7**	47,083.0	-21.9%
Emissions intensity[4]				
Scope 1 and 2 tCO_2e		**326.8**	307.6	6%
Revenue (£m)		**136.6**	145.6	-6%
Scope 1 and 2 tCO_2e/revenue (£m)		**2.39**	2.11	13%

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

Sustainability continued

Streamlined Energy & Carbon Reporting Statement

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 requires musicMagpie plc to disclose annual energy consumption and greenhouse gas ('GHG') emissions from SECR-regulated sources. Energy and GHG emissions have been independently quantified by Envantage Ltd for the 12-month period ending 30 November 2023.

The disclosures are compliant with SECR requirements and have been calculated in accordance with the GHG Protocol and SECR guidelines. They relate to buildings and transport activities where operational control is held – this includes electricity, gaseous fuels, and business travel in both Company-owned and grey fleet vehicles. GHG emissions generated by liquid fuels and refrigerant gas leakages have been voluntarily disclosed. The table below details our energy and GHG emission sources for the current year against last year, split by UK and US. In addition to the mandatory SECR reporting, we have carried out a detailed assessment of our Scope 3 emissions from FY23. The results of our Scope 3 assessments, along with the details of the methodology are included the table on page 25. We have seen a decrease in emissions from key sources such as purchased goods and services and use of sold products, as we have bought and sold less technology and media items in FY23.

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 ('EMS') has been installed at our Hazel Grove site in January 2023, providing us with greater control and visibility of our fuel spend and consumption. FY23 gas oil consumption has decreased by 11% following the EMS' implementation.

We have upgraded the lighting at our Macclesfield Distribution Centre; we assessed and upgraded all light fittings to latest LED models with occupancy sensors in February. We have started to upgrade the lighting at the Hazel Grove site and are continuing this project in 2024.

We have also removed paper towels from all washrooms and replaced them with high powered, low energy hand dryers; this has saved approximately £20k yearly and reduced both waste emissions and purchased goods and services emissions.

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 now included renewable electricity certificates ('RECs') within our supplier-specific energy contracts. This now covers all Group operations, extending beyond our Hazel Grove and Macclesfield Distribution Centres to include head office and our US Distribution Centres. Due to electricity contract changes to include the RECs, there is a brief period in December 2022 which is not covered; this is why market-based electricity emissions have increased from nil to 6.4 tCO_2e.

	2023			2022		
	kWh			kWh		
Energy consumption	**UK**	**US**	**Group total**	UK	US	Group total
Total energy	**2,165,440**	**522,465**	**2,687,906**	2,073,851	561,017	2,634,868

	2023			2022		
	tCO_2e			tCO_2e		
GHG Emissions	**UK**	**US**	**Group total**	UK	US	Group total
Scope 1	**274.3**	**46.1**	**320.4**	259.4	48.1	307.6
Scope 2	**—**	**6.4**	**6.4**	—	—	—
Scope 3 (Grey Fleet only)	**2.2**	**—**	**2.2**	2.9	0.2	3.1
Total GHG Emissions	**276.5**	**52.5**	**329.0**	262.4	48.3	310.7

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 always have the opportunity to have their say, are involved and are able to contribute their experience, expertise and ideas to support improvements at work.

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, strategic projects and people news and to celebrate success. Our people platform, launched in the year, is now the hub for news and social activities and events.

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 performance and development 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 a proportion of the increase of minimum wage pay rate from April 2024 to December 2023 to help support our colleagues with the cost of living crisis. In fact, all eligible colleagues received a pay increase in December.

Our second annual colleague Magpie Values Awards took place during 2023 with a record number of nominations. We also celebrated our long-serving Magpies, 5 of whom reached their 15-year service milestone and 11 reaching the 10-year mark. To have such a loyal and dedicated workforce demonstrates our people-focused culture.

Colleague wellbeing

Ensuring the health, happiness and wellbeing of all colleagues at work continues to be important to us. Representative of our value of 'care', colleague wellbeing has always been at the forefront of everything, we continue to promote our wellbeing platform, Employee Assistance Programme and Mental Health First Aid support as well as continuing with regular wellbeing feedback surveys and taking action accordingly.

Training and development

We are committed to supporting the development of internal capability and capacity to address challenges of performance and succession and to drive retention and engagement. Our SMART Leadership Programme completed in autumn 2023 and the cohort were tasked to research two key strategic initiatives for us to focus on during 2024 and to present a proposal to the SLT. This allowed participants in the programme the opportunity to showcase the skills they learnt during the modules and work cohesively with colleagues they would not normally work with on a day-to-day basis. Apprenticeships undertaken during the year have resulted in a number of colleagues having completed their apprenticeships and being promoted to qualified roles.

People and culture continued

Diversity and inclusion

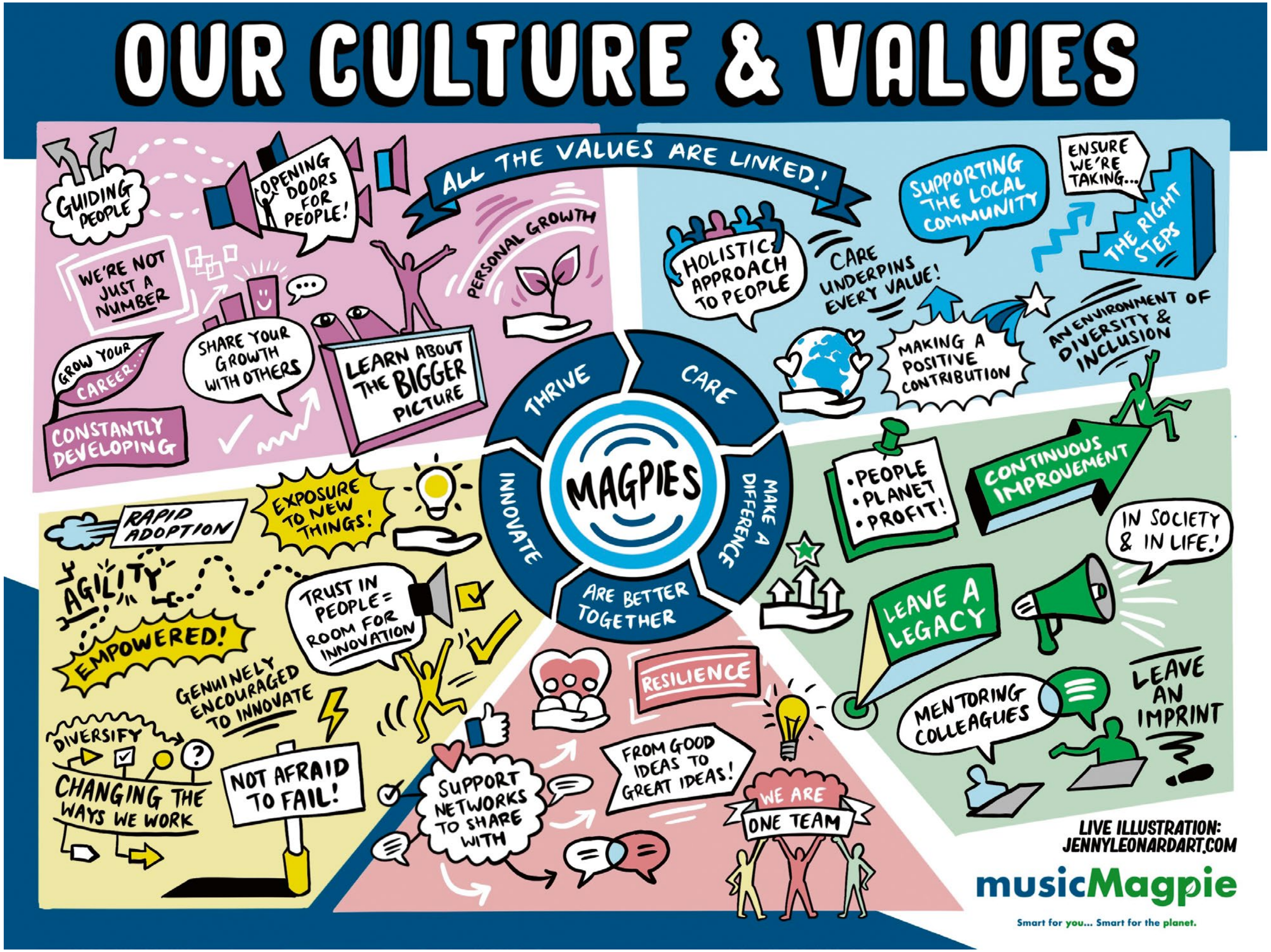
We know that creating a diverse workforce and an inclusive culture enables us to attract and retain the best talent and empower colleagues to achieve their full potential, irrespective of individual differences. Our colleague-led diversity and inclusion group, DANDI, continues to meet regularly to discuss hot topics and ways of educating colleagues and improving diversity and inclusion throughout the business.

We continue to actively focus on meritocracy in our employment policies and practices, including 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.

Charity and community

Our colleague Charity Committee has been the driving force behind our significant fundraising activities and events during the year for our Charity of the Year 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. We also partnered with Pennies to enable customers to round up their purchases on our own store to donate to EGG. The partnership with EGG ended at the end of FY23 and raised a total of £12,500. Separately, Steve Oliver contributes around 12% of his salary to support EGG.

During autumn 2023 the Charity Committee initiated a structured application process to appoint our next Charity of the Year with three worthy local charities put forward to a colleague vote at the end of the year. The outcome of this was SignPost Stockport for Carers – a charity which focuses on supporting unpaid carers of all ages – being selected as our Charity of the Year for 2024 and will benefit from colleague fundraising, customer donations and volunteering activities.



Chief Financial Officer's review

"Focus on gross profit and costs has delivered significant EBITDA growth.

Matthew Fowler
Chief Financial Officer

Gross margin

27.7%
(2022: 26.3%)

Adjusted EBITDA*

£7.5m
(2022: £6.5m)

Chief Financial Officer's review continued

Revenue and gross profit

	2023 £m	2022 £m	Movement £m
Revenue			
Consumer Technology	**95.4**	96.6	(1.2)
Disc Media and Books	**41.2**	48.7	(7.5)
	136.6	145.3	(8.7)
Gross profit			
Consumer Technology	**23.4**	20.1	3.3
Disc Media and Books	**14.5**	18.0	(3.5)
	37.9	38.1	(0.2)

The Group has been intensely focused on cash and profits in the year and as a result gross margin increased year over year, which led to a static gross profit despite the decline in revenue. Revenue for the year ended 30 November 2023 was £136.6m (2022: £145.3m). Gross profit was £37.9m (2022: £38.1m) with gross margin of 27.7%, up from 26.3% in the prior year.

Consumer Technology

Consumer Technology revenue was £95.4m (2022: £96.6m) and now represents the dominant category in the Group with 70% of total revenues. Within this segment, the Rental business grew from £5.3m to £8.2m as active renters increased from 30,500 to 37,100. Owing to a shift in the rental model, the level of active renters is expected to remain broadly static over the forthcoming year and the Group does not have plans to increase the rental base significantly as this would require further cash investment. The second component of Consumer Technology, outright sales, saw revenue decline by £4.0m to £87.2m (2022: £91.2m), but gross profit was static at £16.0m. The Group has focused on expanding its margin on outright sales via a number of initiatives as well as managing the sale of stock across the various sales platforms in a more sophisticated manner in order to achieve minimum expected gross margin targets. Maintaining gross profit on a lower turnover has helped reduce overhead costs from £31.6m to £30.4m, with lower activity and lower marketing spend, and this supported the increase in EBITDA year over year.

Disc Media and Books

Revenue for the year was £41.2m (2022: £48.7m). This category is declining as expected, mainly owing to the continued reduction in the sale of both new and second-hand physical media as consumers increasingly consume content in different ways, for example online streaming. We are starting to see a deceleration in this sales decline as the more rapidly declining DVD and gaming segments become much less significant and books, which are more resilient, therefore generate an increasing share of overall sales. Gross margin slipped back a little from 36.9% to 35.2% with the small decline owing to slightly higher direct costs despite the higher trading margin on purchased product.

Earnings

The following table analyses the results for the year from EBITDA to loss after tax.

	2023	2022	Movement
EBITDA	**7.5**	6.5	1.0
Depreciation, amortisation and impairments	**(10.0)**	(6.6)	(3.4)
Equity-settled share-based payments	**0.1**	(0.2)	0.3
Other non-underlying items	**(2.5)**	(0.2)	(2.3)
Operating loss	**(4.9)**	(0.5)	(4.4)
Net interest cost	**(1.9)**	(0.9)	(1.0)
Loss before tax	**(6.8)**	(1.4)	(5.4)
Tax	**(0.1)**	(3.3)	3.2
Loss after tax	**(6.9)**	(4.7)	(2.2)

1. Adjusted EBITDA is a non-GAAP alternative performance measure. See Note 30 to the financial statements for further definition and reconciliation.

Overheads reduced £1.3m from the prior year following tight cost control and include fee and salary reductions taken by the CEO, the COO and the Non-Executive Directors. The overhead reduction contributed to the EBITDA improvement from £6.5m to £7.5m.

Depreciation, amortisation and impairments increased to £10.0m from £6.6m in the prior year. All components were up, depreciation was £5.9m (2022: £3.9m), amortisation was £2.5m (2022: £1.9m) and impairments were £1.5m up from £0.8m.

The increase in depreciation resulted from an increase in the average value of devices out on rent during the year and the depreciation policy which is 33% reducing balance. Impairments were up slightly and relate to losses on the assets out on rent.

Amortisation increased to £2.5m and follows the increased development spend over recent years. Actual development spend is on a downwards trajectory after investment over recent years; however, owing to the lag on the amortisation policy, the non-cash income statement charge is expected to peak during 2024.

Chief Financial Officer's review continued

Earnings continued

There was a £2.5m charge (2022: £0.2m charge) for other non-underlying items. When reviewing the gross margin improvement likely to be achieved in our forecast models, it was identified that the recoverable amount of the discounted cash flows was less than the carrying value of the assets and this resulted in a £1.1m (2022: £nil) write-down in the value of goodwill. In addition there was a non-underlying expense related to a mark to market on a fixed price electricity supply contract plus some costs consistently treated as non-underlying in 2022. The Group has in place various contracts to purchase electricity at fixed prices for periods up to autumn 2026. These prices provide certainty over planning and forecasting and set rates as close to the levels paid by the Group during 2022. Under IFRS accounting the value of these contracts has been marked to the external market price of electricity at reporting dates. Owing to a reduction in the market price of electricity to below the fixed price in the contracts, the Group has booked a non-cash liability of £0.1m at November 2023. At 30 November 2022 the Group had an asset of £1.1m and so a charge of £1.2m has been processed through the accounts to reverse this previous asset and book the current year liability. As there is less than two years left on the contracts, the volatility on the mark-to-market accounting will reduce over time.

The interest charge for the year was £1.9m (2022: £0.9m) with the increase owing both to the increase in average debt and the increase in interest rates in the market. With the adjusted strategy for rental, the expectation is that gross debt and thus interest charges will fall over time.

The loss before tax for the period was £6.8m. The taxation charge was £0.1m (2022: £3.2m charge), with the prior year charge related to movements in deferred taxation on historical share-based payments. The Group has historically benefited from the UK's R&D tax regime with above the line tax credits of around £0.2m per year related to its development spend on its recent large infrastructure projects. It is becoming increasingly difficult to qualify for the credits and the tax authority appears more willing to challenge and reject claims. The Group is unlikely to submit further claims now that the major project spend has completed and the tax authority landscape has changed.

After taxation the total loss for the period was £6.9m (2022: £4.7m).

Net assets

The balance sheet is summarised as follows:

	2023 £m	2022 £m
Fixed assets	**13.1**	14.0
Capitalised development	**8.4**	6.6
Inventory	**7.4**	8.8
Debtors	**2.0**	2.6
Creditors	**(8.2)**	(9.3)
Operating net assets	**22.7**	22.7
Goodwill and other intangibles	**4.4**	5.8
Deferred tax	**1.8**	1.9
Net debt	**(13.1)**	(7.9)
Lease liabilities	**(3.4)**	(4.1)
Derivative	**(0.1)**	1.1
Net assets	**12.3**	19.5

Operating net assets stayed level at £22.7m despite an increase in rental assets of £0.2m and increase in capitalised development spend of £1.8m. As noted above, tight working capital management saw inventory reduce from £8.8m to £7.4m, and together with the reduction in fixed asset spend, this offset the increase in rental assets and the capitalised development spend. Net debt increased £5.2m as described in the cash flow section below. With the retained loss for the period of £6.9m (2022: £4.7m), net assets reduced from £19.5m to £12.3m.

"

Net cash from operations was up £1.9m or 31%.

Matthew Fowler
Chief Financial Officer

Chief Financial Officer's review continued

Cash flow

The cash flow in the year is summarised in the table below:

	2023 £m	2022 £m
Net cash from operations	**8.1**	6.2
Acquisition of PPE		
– Rental assets	**(6.2)**	(6.6)
– Other	**(0.2)**	(3.0)
Development costs	**(4.1)**	(4.6)
Cash outflow from investing	**(10.5)**	(14.2)
New loan drawings	**5.9**	13.5
Interest and lease	**(2.5)**	(1.6)
Other	**—**	0.1
Cash flow from financing	**3.4**	11.9
Cash increase	**1.0**	3.9
FX	**(0.2)**	0.1
Cash carried forward	**7.6**	6.8
Gross debt	**(20.7)**	(14.7)
Net debt	**(13.1)**	(7.9)
Future value of contract rental revenues	**3.6**	
Current value of assets out on rent	**7.2**	
Notional net debt after rental cash	**(2.3)**	

Net cash generated from operating activities was £8.1m up 30.6% from the prior year £6.2m, and this was driven by both an improved adjusted EBITDA in the period but also continued control of working capital that saw £0.9m cash inflow (2022: £1.0m inflow) over the year. Inventory reductions made a significant contribution to the working capital inflows with closing stock of £7.4m being £1.4m lower than 2022.

The £8.1m of cash from operations was consumed by £10.5m of spend on capital expenditure and development spend. Capital expenditure was £6.4m in total and was almost entirely allocated to rental assets of £6.2m (2022: £6.6m), driven by the additional value of assets out on rent. When rental devices are returned at the end of a rental period, they are transferred back into stock and sold as normal. The value of assets out on rent therefore represents future potential cash. The fact that the devices will depreciate over time is offset by the expected gross margin at sale. Development expenditure was down from £4.6m in the prior year to £4.1m and as noted above we expect this spend to continue to decline following the completion of a number of major upgrades over recent years.

After £5.9m of net drawings from the loan facility, the net increase in cash was £1.0m (2022: £3.9m) and net debt closed at £13.1m (2022: £7.9m). Stated after future rental cash flows, notional net debt is £2.3m, albeit the rental cash flows will only be crystallised over time as the contracts progress to expiry.

The Group relies on a £30m committed revolving credit facility with HSBC UK and NatWest. The facility expires in July 2026. There are two financial covenants on the lending: that leverage (the size of net debt to EBITDA) shall be less than 2.5 times and that interest cover (EBITDA divided by interest) shall be greater than four times. The Group continues to operate with net debt. Leverage following Black Friday in November 2023 was 1.7 times but during other months of the year increases above this position, but still within the covenant limits. There are several levers available to manage debt, including reducing the number of assets that go out on rent each week.

Matthew Fowler
Chief Financial Officer
12 March 2024

Principal risks and uncertainties

How we manage risk

The Board is responsible for reviewing risks to ensure that the business is not exposed to unnecessary or unmanaged risks and has overall responsibility for determining the Group's risk appetite in delivering the strategy as set out on pages 11–14. In execution of this the Board must ensure there is an effective risk management framework aligned to the corporate objectives.

Risk management framework

The Board reviews risks which could affect the Group throughout the year. Whilst the reviews are scheduled items on the annual calendar of activities, the Board's consideration of risk matters is not limited to this schedule. Opportunities and risks are continually considered when the Board is making decisions about the business and its strategy.

As part of the formal process, the Group records risks using a corporate risk register model. In determining the relative importance of risks on the register, the model uses 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 below 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

Business operations
- Internal controls
- Management and colleagues

Second line of defence

Oversight
- Financial management
- Risk management
- H&S
- IT security

Third line of defence

Independent assurance
- External audit

Risk	Description and impact	Mitigating controls	Risk movement
Strategic			
Competition A	The expansion and wider consumer adoption of the refurbishment is both an opportunity, but also a threat as failure to compete with new and increased competition will negatively impact the Group's market share.	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 our Rental offering and SMARTDrop kiosks, both of which require significant investment, are designed to maintain a competitive edge.	↑
Reputation and trust B	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 C	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 has taken various steps to reduce the rental growth and manage cash in the period – including increasing credit limits, increasing rental prices and reviewing the product range available for rent.	↑
Financial position D	Growing the Rental model has required the Group to accumulate debt. Failure to secure sufficient future capital or to maintain the debt may undermine the ability to grow the revenue stream.	The business entered a £30m committed RCF in July 2022 and during the year extended its maturity date to July 2026. The Board reviews cash forecasts monthly and has deep dives on a periodic basis as to the assumptions and underpinnings. The Board reviews options for alternative financing solutions and actively explores different funding routes for the rental model.	↑

Principal risks and uncertainties continued

Risk	Description and impact	Mitigating controls	Risk movement
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 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.	The Group has been on an IT transformation journey over recent years which has made major improvements to its IT infrastructure and security. The transformation has improved the control environment utilising: • encryption and authentication technology; • password policies and firewalls to protect the security, integrity and confidentiality of sensitive and confidential information; • colleague training to highlight risks and promote safe practices; and • Cloud-based data security and back-ups. In addition the Group benefits from a dedicated Head of Information Security and has retained access to external cyber security experts to advise on both prevention and, if needed, mitigation.	↓
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 BNPL 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.	← →

The Strategic Report was approved on behalf of the Board on 12 March 2024.

Steve Oliver
Chief Executive Officer
12 March 2024

Board of Directors

An experienced and Co-Founder-led team

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 Gamma plc, a leading provider of Unified Communications as a Service. Prior to this Martin spent 17 years working for Softcat plc where he held executive positions until 2018 as Chief Executive Officer and Managing Director. He took on the role of Chair of Softcat in 2018 and stood down at the end of July 2023. 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. In 2016, Martin was named UK Tech CEO of the Year at the UK Tech Awards.

Dave Wilson

Non-Executive Senior Independent Director

Dave is Non-Executive Chair of LBG Media plc and also Non-Executive Chair for Knights plc. He was previously CFO and COO of GB Group plc, the global identity data intelligence specialist, and retired in June 2021 after 13 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	✓		✓		✓	
Dave Wilson	✓	✓	✓	✓	✓	✓
Matthew Fowler		✓		✓	✓	

Board tenure
(includes pre IPO tenure)

0–1 year:	0
2–4 years:	3
5+ years:	1

Board gender diversity (%)

An introduction from our Chair

"The Board's role is to steer the business towards its long-term strategic objectives.

Martin Hellawell
Non-Executive Chair

The Board of musicMagpie is committed to strong governance within a culture that recognises and delivers on our responsibilities to all the Group's stakeholders, including shareholders, customers, suppliers, colleagues and the wider community. In this report, we have set out our approach to governance and explained how the Board and its Committees operate.

The Board has adopted, and believes that it complies with, all of the principles of the QCA Corporate Governance Code ('QCA Code'). The corporate governance framework which the Group operates, including Board leadership and effectiveness, Board remuneration and internal control, is based upon practices which the Board believes are proportional to the size, risks, complexity and operations of the business and reflective of the Group's values. Our governance framework will continue to evolve and we are reviewing how the recently announced changes to the QCA Code will affect our future reporting periods.

Composition

The Board currently comprises two Non-Executive Directors and two Executive Directors, one of which is the Co-Founder.

During the year to 30 November 2023 the Board had three Non-Executive Directors, but Alison Littley stepped down from the Board effective from 31 December 2023. Following her stepping down, I have taken the Chair of Remuneration Committee role until such time as we appoint a replacement. Dave Wilson will take the role as Senior Independent Non-Executive Director.

An introduction from our Chair continued

Composition continued

Despite entering 2024 with two Non-Executive Directors and two Executive Directors, given the experience of myself and Dave Wilson, we believe the Board maintains independence and the Non-Executives still exert significant challenge to the Executive and Senior Leadership Team. Both myself and Dave are modest shareholders in the Group, see the disclosure on page 47, and are considered fully independent.

The Board fully recognises its lack of diversity and this will be fully considered in all future Board appointments.

Effectiveness

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.

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 35.

How the Board operates

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 Senior Leadership Team ('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;
- 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.

Board members and attendance

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

* Resigned from the Board 31 December 2023.

The following other attendees regularly attend meetings:

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

The Board also encourages attendance of other stakeholders, including suppliers and customers where appropriate.

Board decisions and activity during the period

The Board has an agenda of standing items that is scheduled to cover business, financial and operational matters on a regular basis. This schedule is designed to ensure that all areas for which the Board is responsible for are addressed and reviewed during the course of the year.

The Board also reviews its AIM obligations with its nominated Adviser annually and more frequently where matters require updates or refresher training, and holds regular meetings with the Company's corporate advisers.

In addition the Board receives a number of deep-dive reports from the SLT covering relevant matters pertinent to the business and to decision making. During the year such presentations covered future product expansion, the consideration of next generation kiosks, alternative funding options for Rental and a detailed review of the competitor landscape.

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. The CEO and Chair meet weekly and otherwise as required.

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.

An introduction from our Chair continued

Time commitments

All Directors recognise the need to commit sufficient time to fulfil the role. This requirement is included in their letters of appointment. Board meetings are mostly attended in person with virtual attendance permitted in some circumstances. The Board is satisfied that the Chair and Non-Executive Directors devote sufficient time to the Group's business.

External appointments

As appropriate, the Board may authorise Executive Directors to take a Non-Executive position in other companies and organisations, provided the time commitment does not conflict with the Directors' duties to the Group, since such appointments should broaden their experience. The acceptance of appointment to such positions is subject to the approval of the Chair and to any actual or potential conflicts of interest being declared and, where appropriate, authorised.

Conflicts of interest

At each meeting, the Board considers Directors' interests and notifications are made of any changes. The Group's Articles of Association provide for the Board to authorise any actual or potential conflicts of interest.

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. The report on pages 41 to 43 contains more detailed information on the Committee's role.

During the year to 30 November 2023 the Remuneration Committee was chaired by Alison Littley and following her resignation I will Chair future Remuneration Committees until such time as a replacement is appointed. The Remuneration Committee 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 44 to 47 contains more detailed information on the Committee's roles and the Directors' remuneration.

The Nomination Committee is chaired by me and meets once per year and otherwise as required. There is no separate Nomination Committee Report.

Annual General Meeting

The Annual General Meeting of the Company will take place on 22 May 2024. Consistent with the AGM held in May 2023, all Directors will be submitted for re-election. The Notice of Annual General Meeting and the ordinary and special resolutions to be put to the meeting are included in the Notice of AGM accompanying this Annual Report.

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.co.uk. 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
12 March 2024

An introduction from our Chair continued

The remit of the Board and its Committees

Governance framework

Board

One Non-Executive Chair

One Independent Non-Executive Director

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

The Board delegates specific responsibilities to Committees. Each Committee has written terms of reference setting out its duties, authority and responsibilities.

Audit Committee

One Non-Executive Chair

One Independent Non-Executive Director

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

One Independent Non-Executive Director

Responsibilities:

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

Remuneration Committee

One Non-Executive Chair

One Independent Non-Executive Director

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

An introduction from our Chair continued

QCA Corporate Governance Code

Principles	Corporate behaviours	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 06 to 07 A review of performance against the strategy can be found on page 08
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 16 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 page 15 and page 16 for how we collate and respond to stakeholder needs and priorities See page 16 for how we responded and raised 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 page 34 Risk management summary can be found on page 33
Maintain a dynamic management framework		
Maintain the Board as a well-functioning, balanced team led by the Chair	✓ Our Board has wide experience and a breadth of skills. Board meetings promote debate and management is actively challenged	Directors' details and biographies are on page 35
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	
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	✓ Annual effectiveness and Chair reviews performed	The Directors' have a broad set of experience directly suited to the Group, see Director details on page 35 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 page 17 Community Report page 28
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 39
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 stakeholders ✓ Employees are consulted on a range of topics ✓ We engage actively with our suppliers and platforms	Sustainability Report page 17 Corporate Governance Statement page 36 Relevant information on www.musicmagpieplc.com See the Audit Committee Report on page 41

Audit Committee report

I am pleased to present the report of the Audit Committee for the year ended 30 November 2023.

The Directors' Responsibility Statement in respect of the Annual Report can be found on page 49.

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role includes monitoring the integrity of the financial statements (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors.

The following Audit Committee Report was approved by the Committee at its meeting held on 20 February 2024.

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.

Dave Wilson
Chair of the Audit Committee
12 March 2024

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.musicmagpieplc.com.

Audit Committee report continued

Activities during the year

During the year the Committee met three 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, including the delegated authorities for the business
- Considered the performance of the Committee as an ongoing activity

Key areas of significant judgement in the preparation of the financial statements

- Reviewed and considered the significant issues, including 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
  - Useful economic lives of rental assets
  - The carrying value of assets and potential impairment
- 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

Risk review

- Reviewed the risks of the Group
- Considered the general insurance risks of the Group and agreed to the level of insurance cover to be taken for the year

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 2023
- Asked the auditors to disclose any conflicts or material relationships that may be thought to impact on their objectivity

Going concern

The Committee reviewed and challenged forecasts throughout the year that monitored and projected compliance with the banking covenants on the committed £30m facility.

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
Martin Hellawell	3/3
Past Directors:	
Alison Littley*	3/3

* Stepped down on 31 December 2023.

The following other attendees regularly attend meetings:

- Matthew Fowler, the Chief Financial Officer;
- Steve Oliver, the Chief Executive Officer;
- Ian Storey, 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 35. 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 CFO and COO 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.

All minutes from the Audit Committee meetings are made available to all members of the Board.

External auditors' tenure and remuneration

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 three years as lead audit partner, covering the three accounting year ends since IPO.

During 2022 the Board agreed a significant fee increase with RSM, which took the audit fee from £152,000 in 2021 to £177,000 in 2022, an increase of 16.5%. This increase was attributed to external factors in the audit market resulting in an increase in cost of delivery and a commitment was made to look for future cost efficiencies to prevent further large cost increases. For 2023 the Committee has approved a proposed fee for 2023 with an increase of 4% reflecting the efficiency savings that RSM had committed to.

The Committee recommended to the Board that RSM UK Audit LLP be proposed for reappointment at the forthcoming AGM in May 2024. 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.

Audit Committee report continued

Whistleblowing

The Group has in place a whistleblowing process whereby an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. Whistleblowing is a standing agenda item for the Audit Committee meetings. During the year, there were no reported incidents for consideration. The Committee is comfortable that the current policy is operating effectively.

Anti-bribery

The Group has in place an anti-bribery and anti-corruption policy which sets out its zero-tolerance position and provides information and guidance to those working for the Group on how to recognise and deal with bribery and corruption issues. The Committee is comfortable that the current policy is operating effectively.

Dave Wilson

Dave Wilson
Chair of the Audit Committee
12 March 2024

Remuneration Committee report

Alison Littley stepped down from the Board on 31 December 2023. I would like to thank Alison for her work in chairing the Remuneration Committee during the year. I took over on Alison's departure and I am pleased to present the Remuneration Report setting out the remuneration policy and remuneration paid to the Directors for the year ended 30 November 2023. Although I was not Chair for the period of the report, I was a member of the Committee and attended all the meetings in the year under review.

Annual Statement

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 22 May 2024.

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 2023.

Remuneration outcomes for FY23

It was a quiet year in terms of Remuneration Committee activity and this is reflected in the outcomes for the year. The 2023 annual bonus operated against sliding scale targets based on EBITDA and EBIT. As the performance of the Group fell below the threshold profit level, no bonuses were awarded for the year ended 30 November 2023. There was no issue of options under either a SAYE scheme or a Long Term Incentive Plan, owing to the potential dilutive impact of the awards. No Long Term Incentive Plan options vested in the year.

Remuneration for FY24

There will be no increases in base salary for Board members in FY24. From 1 December 2022 Steve Oliver has elected to forgo £5,833 from his monthly salary but this may be reviewed during 2024.

In respect of performance-related remuneration, the Committee's policy is to grant annual share awards under the LTIP to Executive Directors with shares worth up to 100% of salary per annum. Such long-term awards are seen as key to achieving the objective of sustainable earnings growth, in addition to supporting the retention and share ownership of Executive Directors. However, owing to the impacts 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 and has not made a commitment to issue any long-term awards for the year 2024. The Committee will continue to review dilution and its current approach of not issuing awards. In addition to the decision made by Steve Oliver to forgo an element of monthly salary, both Dave Wilson and myself have agreed to similar arrangements on our fees, to be reviewed periodically.

Martin Hellawell
Chair of the Remuneration Committee
12 March 2024

Directors' remuneration policy (the 'Policy')

This part of the Directors' Remuneration 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 the best 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 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, 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, 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 the 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 and/or personal/strategic 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 the Non-Executive Director 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 22 May 2024. 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 two times during the year and has a programme of business reflecting the Committee's terms of reference.

	Meeting/ attendance
Martin Hellawell (Chair)	2/2
Dave Wilson	2/2
Past Directors:	
Alison Littley	2/2

The following other attendees regularly attend meetings:

- the Chief People Officer;
- the Chief Executive 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.

Advisers to the Committee

External adviser FIT Remuneration Consultants LLP provided independent advice to the Committee during FY23 having been appointed by the Committee during 2021. Limited support was required during the year and the fees paid to FIT Remuneration Consultants LLP for providing advice to the Committee in relation to Directors' remuneration were £4,452 (2022: £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 2023

This section of the Annual Report describes the operation of the remuneration policy during the year ended 30 November 2023. 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						
Steven Oliver	**2023**	**£280,000**	**£2,496**	**£7,009**	**—**	**£289,505**
	2022	£308,333	£2,539	£6,790	—	£317,662
Matthew Fowler	**2023**	**£200,000**	**£1,216**	**£4,336**	**—**	**£205,552**
	2022	£122,799	£759	£2,200	—	£125,758
Non-Executive Directors						
Martin Hellawell	**2023**	**£90,000**	**—**	**—**	**—**	**£90,000**
	2022	£100,000	—	—	—	£100,000
Dave Wilson	**2023**	**£58,500**	**—**	**—**	**—**	**£58,500**
	2022	£65,000	—	—	—	£65,000
Past Directors						
Alison Littley*	**2023**	**£58,500**	**—**	**—**	**—**	**£58,500**
	2022	£65,000	—	—	—	£65,000

* Alison Littley resigned from the Board effective 31 December 2023. She received a total of £10,000 post 30 November 2023 related to her notice period.

Steven Oliver elected to forgo £70,000 of his salary during the year. He continues to take a deduction of £5,833 per month in FY24. This amount has not been accrued and there is no expectation that this will be paid at a future date.

Martin Hellawell elected to forgo £10,000 of his annual fees during the year. This amount has not been accrued and there is no expectation that this will be paid at a future date. Martin Hellawell has agreed new temporarily reduced annual fees of £80,000 which will be reviewed periodically.

Dave Wilson and Alison Littley elected to forgo £6,500 each of their fees during the year. The amount has not been accrued and there is no expectation that it will be paid at a future date. Dave Wilson has agreed new temporarily reduced annual fees of £52,000, which will be reviewed periodically.

Remuneration Committee report continued

Annual bonus for FY23

No annual bonuses were awarded to the CEO and CFO for the year ended 30 November 2023 as a result of threshold EBITDA and PBT targets not being met. Details of the targets set are as follows:

Sliding scales	2023 Group EBITDA (60% of bonus)	% of base salary	2023 Group PBT (40% of bonus)	% of base salary
Below threshold: 0%	—	—	—	—
Threshold: 25%	**£8.9m**	15%	**(£0.1m)**	10%
Target: 100%	**£10.0m**	60%	**£0.7m**	40%
Maximum: 150%	**£11.0m**	90%	**£1.5m**	60%

Share awards vesting in the year

No share awards vested during the year ended 30 November 2023.

Directors' interests in long-term incentives (audited)

There were no long-term incentive awards in the year to 30 November 2023.

The only awards existing at the balance sheet date related to the year ended 30 November 2022.

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 awards 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. Based on current performance and forecasts these awards are unlikely to vest.

Directors' interests in Sharesave options (audited)

There were no SAYE option awards in the year to 30 November 2023.

The only awards existing at the balance sheet date related to the year ended 30 November 2022.

Executive	Type of awards*	Date of grant	Option price**	Number of shares over which award was granted	Face value of award	Period to vesting
Steven Oliver	SAYE		£0.45	40,000	£18,000	36 months
Matthew Fowler	SAYE		£0.45	40,000	£18,000	36 months

* These awards were granted on the same terms as all employees that elected to participate in the SAYE scheme.

** Representing the average share price over the three-day period from 8 August 2022 to 10 August 2022.

Directors' interests in shares

The interests of the Directors as at 30 November 2023 (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
Dave Wilson	51,813

The market price of the Company's shares at 30 November 2023 was 14.75 pence.

M.J. Hellawell

Martin Hellawell
Chair of the Remuneration Committee
12 March 2024

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 2023.

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 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 wholly owned overseas subsidiary 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 29 to 32. The Directors have not recommended the payment of a dividend for the year (2022: no dividend).

Risk management

The Group's principal risks and uncertainties are discussed on pages 33 to 34 and in note 29 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 pages 15 to 16.

Streamlined Energy and Carbon Reporting requirements

The Group has chosen, in accordance with Section 414C(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 17 to 26.

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, and stepped down from the Board on 31 December 2023);
- Dave Wilson (appointed 15 April 2021); and
- Matthew Fowler (appointed 21 April 2022).

Biographical details of the Directors can be found on page 35. Directors' interests in the ordinary shares of the Company can be found in the Remuneration Committee Report on page 47.

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 2023, 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
Schroder Investment Management	14,101,503	13.08%
Northern Entities*	13,886,532	12.88%
Canaccord Genuity Wealth Management	12,146,044	11.27%
Steve Oliver**	12,066,839	9.94%
Walter Gleeson**	9,503,159	8.81%
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 27 to 28 and in our Section 172 Statement on page 15.

Research and development

The Group performs research and development activities principally around the development of the Group's website, app and technology platforms. It 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 £4,086,000 (2022: £4,555,000) 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 06 to 32.

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 the period to the end of May 2025. In reviewing these forecasts for going concern, the key consideration of the Group is whether it can demonstrate ongoing compliance with the two financial covenants on its revolving credit facility: leverage, being adjusted EBITDA to net debt, and interest cover, being adjusted EBITDA divided by interest.

In completing their going concern assessment, the Directors have reviewed the trading and cash flow forecasts and have incorporated reasonable downside sensitivities. In these forecasts the Directors have confirmed that the Group will be able to continue to meet its quarterly covenant tests and remain within the borrowing limits set out within its bank facility agreement.

Based on the forecasts and the downside scenarios modelled, the Directors 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 12 March 2024.

By order of the Board

Steve Oliver
Chief Executive Officer
12 March 2024

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;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- for the Company financial statements state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company 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 12 March 2024.

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 2023 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 UK-adopted International Accounting Standards. 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 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- 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 • Impairment of goodwill and intangibles • Going concern **Parent company** • Impairment of intercompany receivables and investment • Going concern
Materiality	**Group** • Overall materiality: £1,020,000 (2022: £973,000) • Performance materiality: £768,000 (2022: £730,000) **Parent company** • Overall materiality: £1,020,000 (2022: £95,000) • Performance materiality: £768,000 (2022: £71,250)
Scope	Our audit procedures covered 100% of revenue, 82% of total assets and 94% 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 and parent company 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 and parent company 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 63 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. Data analytics was used to test both consumer and wholesale sales made in the year to evidence the existence and valuation of recorded revenue. The techniques used considered the sales cycle and tested any transactions outside the expected cycle, with reliability of data testing used to support the analytics used. 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 to 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 60 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 financial 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 the resources allocated to auditing management's assessment of going concern. The higher level of resources required compared to previous audits were due to the sensitivity of the forecasts to future covenant compliance under available banking facilities, the consideration of the impact of changes in the nature of the Group's business resulting from the reduction in the rate of growth in the rental business and consideration of the potential impact of macroeconomic 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 historical 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 has identified to reduce costs in the event that actual revenue performance was less than forecast; and • reviewing performance since the year-end date and how this compares to the forecasts.

Goodwill, intangible, investments and intercompany impairment

Key audit matter description	Our review of impairment was considered a key audit matter, due to an increase in our assessment of risk and a corresponding increases in the level of resources required to complete our work compared to previous audits. The changes reflected external macroeconomic factors that have impacted the performance of the Group and the challenges the Group has faced in mitigating these, and the relatively poor economic outlook. Judgement is therefore required to assess whether the impact of these factors has resulted in an impairment of goodwill and intangible assets are impaired and whether intercompany receivables are recoverable. The carrying value of the goodwill and intangibles initially recognised at £13.9m (pre-impairment) held on the Group balance sheet and £14.3m recognised in investments on the parent balance sheet have been assessed for impairment by reference to IAS 36 'Impairment of Assets'. The intercompany receivables of £9.9m recognised (note 19) held on the parent balance sheet have been assessed for impairment by reference to IFRS 9 'Financial Instruments'. Management has prepared an impairment assessment to consider the net present values of the two CGUs recognised by the Group, rental and non-rental, to evaluate the impairment of goodwill and intangibles. In assessing the recoverability of the intercompany receivables management has considered various expected credit loss outcomes. Given the significance of the goodwill, intangibles and receivable balance in the Group and parent balance sheet and the judgement in applying IAS 36 and IFRS 9 we consider these balances to be a key audit matter.
How the matter was addressed in the audit	To respond to this key audit matter, we have: • considered whether the allocation of assets between CGUs was appropriate; • challenged key assumptions within management's forecasts including assessing whether these are consistent with internal and external evidence, including actual performance in the financial period; • tested the mechanical accuracy of management's model and tested the data used in management's calculation by verifying this to supporting documentation; • assessed the methodology applied in reviewing the assets for impairment and assessing the recoverability of intercompany balances with reference to the requirements of IAS 36 'Impairment of Assets' and IFRS 9 'Financial Instruments' respectively; • considered the consistency of the forecasts applied in this calculation with forecast information assessed as part of our work in respect of going concern; • considered the sensitivity analysis of reasonable changes in their assumptions to assess the impact this would have on the impairments noted; and • evaluated the appropriateness of disclosures made, including in respect of the key source of estimation uncertainty and sensitivity analysis.
Key observations	We challenged management on a number of aspects of the impairment assessments. As a result of our challenges, management reconsidered the assumptions used in their impairment review which resulted in an impairment charge of £1.1m being recognised against the carrying value of the goodwill and intangibles.

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:

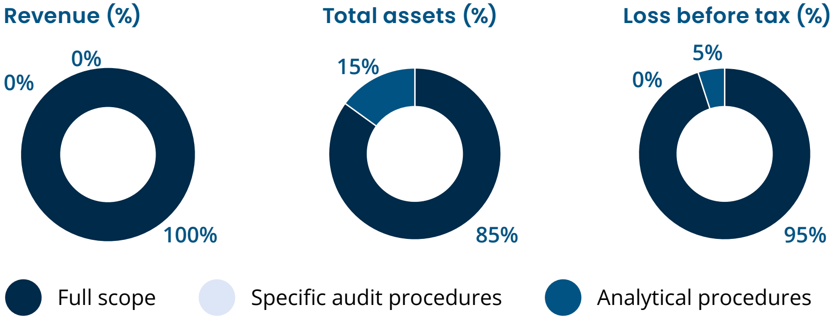
	Group	Parent company
Overall materiality	£1,020,000 (2022: £973,000)	£1,020,000 (2022: £95,000)
Basis for determining overall materiality	2.7% of gross profit	4% of total assets
Performance materiality	£786,000 (2022: £730,000)	£786,000 (2022: £71,200)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £51,200 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds	Misstatements in excess of £51,200 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds

Independent auditors' report to the members of musicMagpie plc continued

An overview of the scope of our audit

The Group consists of four components, three of which are based in the UK and one of which is based in the US.

The coverage achieved by our audit procedures was:



Full scope audits were performed for three components and analytical procedures at Group level for the remaining component.

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.

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 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 49 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.

Independent auditors' report to the members of musicMagpie plc continued

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.

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 operates in and how the Group and parent company are complying with the legal and regulatory frameworks;
- enquired 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; and
- 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 Group audit engagement team included:
IFRS/FRS 101, Companies Act 2006 and AIM Rule 19 relating to the preparation of the annual accounts	Review of the financial statement disclosures and testing of supporting documentation. 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	Data analytics was used to test revenue in the year. This considered the sales cycle and tested any transactions outside the expected cycle, with reliability testing used to support the analytics used. 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. • 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.

A J R Nuttall

ALASTAIR JOHN RICHARD NUTTALL (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Ninth Floor, Landmark
St Peter's Square
1 Oxford Street
Manchester, M1 4PB
12 March 2024

Consolidated Statement of Comprehensive Income

	Note	**Year ended 30 November 2023 £000**	Year ended 30 November 2022 £000
Turnover	4, 5	**136,601**	145,279
Cost of sales		**(98,737)**	(107,138)
Gross profit		**37,864**	38,141
Operating expenses		**(40,224)**	(38,478)
Operating expenses: non-underlying items	6	**(2,527)**	(174)
Total operating expenses		**(42,751)**	(38,652)
Adjusted EBITDA*	30	**7,452**	6,471
Depreciation of property, plant and equipment	14	**(5,943)**	(3,877)
Impairment of property, plant and equipment	14	**(1,463)**	(835)
Loss on disposal of property, plant and equipment	14	**—**	(19)
Amortisation of intangible assets	15	**(2,538)**	(1,910)
Equity-settled share-based payments	26	**132**	(167)
Other non-underlying items	6	**(2,527)**	(174)
Operating loss	7	**(4,887)**	(511)
Financial expense	10	**(1,877)**	(946)
Loss before taxation		**(6,764)**	(1,457)
Taxation	11	**(89)**	(3,278)
Loss for the period attributable to the equity holders of the parent		**(6,853)**	(4,735)
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Foreign exchange differences on translation of foreign operations		**(282)**	145
Total comprehensive loss for the year attributable to the equity holders of the parent		**(7,135)**	(4,590)

		Pence	Pence
– basic loss per share	13	**(6.8)p**	(4.8)p
– diluted loss per share	13	**(6.8)p**	(4.8)p

* Adjusted EBITDA is a non-GAAP measure. See note 30 for definition and reconciliation.

Consolidated Statement of Financial Position

	Note	As at 30 November 2023 £000	As at 30 November 2022 £000
Assets			
Property, plant and equipment	14	**13,068**	13,995
Intangible assets	15	**12,827**	12,379
Deferred tax asset	12	**1,847**	1,909
Derivative financial asset	20	**—**	578
Total non-current assets		**27,742**	28,861
Inventories	18	**7,387**	8,824
Trade and other receivables	19	**1,996**	2,602
Derivative financial asset	20	**—**	555
Cash and cash equivalents	21	**7,600**	6,806
Total current assets		**16,983**	18,787
Total assets		**44,725**	47,648
Liabilities			
Trade and other payables	22	**8,241**	9,340
Lease liabilities	24	**831**	687
Derivative financial liability	23	**96**	—
Other interest-bearing loans and borrowings	24	**203**	—
Total current liabilities		**9,371**	10,027
Net current assets		**7,612**	8,760
Other interest-bearing loans and borrowings	24	**20,496**	14,675
Lease liabilities	24	**2,582**	3,403
Total non-current liabilities		**23,078**	18,078
Total liabilities		**32,449**	28,105
Net assets		**12,276**	19,543
Equity			
Share capital	28	**1,078**	1,078
Share premium	28	**14,449**	14,449
Capital redemption reserve	28	**1,108**	1,108
Merger reserve	28	**(991)**	(991)
Translation reserve	28	**(257)**	25
Retained earnings		**(3,111)**	3,874
Equity attributable to the equity holders of the parent		**12,276**	19,543

These financial statements were approved by the Board of Directors on 12 March 2024 and were signed on its behalf by:

S Oliver
CEO

Company Statement of Financial Position

Registered number 12977343

	Note	As at 30 November 2023 £000	As at 30 November 2022 £000
Assets			
Investments	16	**14,308**	14,333
Trade and other receivables	19	**9,903**	—
Total non-current assets		**24,211**	14,333
Trade and other receivables	19	**28**	10,757
Total current assets		**28**	10,757
Total assets		**24,239**	25,090
Liabilities			
Trade and other payables	22	**4**	37
Total liabilities		**4**	37
Net current assets		**24**	10,720
Net assets		**24,235**	25,053
Equity			
Share capital	28	**1,078**	1,078
Share premium	28	**14,449**	14,449
Capital redemption reserve	28	**1,108**	1,108
Merger reserve	28	**801**	801
Retained earnings		**6,799**	7,617
Equity attributable to the equity holders of the parent		**24,235**	25,053

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 £686,000 (2022: loss of £875,000) for the period.

These financial statements were approved by the Board of Directors on 12 March 2024 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
Balance 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	26	—	—	—	—	—	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
Loss for the year		—	—	—	—	—	(6,853)	(6,853)
Foreign currency translation		—	—	—	—	(282)	—	(282)
Total comprehensive loss for the year		—	—	—	—	(282)	(6,853)	(7,135)
Share-based payments	26	—	—	—	—	—	(132)	(132)
Balance as at 30 November 2023		**1,078**	**14,449**	**1,108**	**(991)**	**(257)**	**(3,111)**	**12,276**

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
Balance 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	26	—	—	—	—	167	167
Balance as at 30 November 2022		1,078	14,449	1,108	801	7,617	25,053
Loss for the year		—	—	—	—	(686)	(686)
Total comprehensive loss for the year		—	—	—	—	(686)	(686)
Share-based payments	26	—	—	—	—	(132)	(132)
Balance as at 30 November 2023		**1,078**	**14,449**	**1,108**	**801**	**6,799**	**24,235**

Consolidated Cash Flow Statement

	Year ended 30 November 2023 £000	Year ended 30 November 2022 £000
Net cash flows from operating activities		
Loss for the year	**(6,853)**	(4,735)
Adjustments for:		
Financial expense	**1,877**	946
Taxation expense	**89**	3,278
Depreciation of property, plant and equipment	**5,943**	3,877
Impairment of property, plant and equipment	**1,463**	835
Loss on disposal of property, plant and equipment	**—**	19
Amortisation of intangible assets	**2,538**	1,910
Impairment of goodwill	**1,100**	—
Fair value loss/(gain) on derivative instruments	**1,229**	(1,133)
Share-based payments (credit)/expense	**(132)**	167
Working capital adjustments		
Decrease/(increase) in inventories	**1,437**	(805)
Decrease in trade and other receivables	**579**	1,122
(Decrease)/increase in trade and other payables	**(1,143)**	712
Net cash from operations	**8,127**	6,193
Cash flows used in investing activities		
Acquisition of property, plant and equipment	**(6,429)**	(9,661)
Capitalised development expenditure	**(4,086)**	(4,555)
Net cash used in investing activities	**(10,515)**	(14,216)
Cash flows from financing activities		
Net proceeds from new loans	**5,954**	21,026
Financial expenses paid	**(1,668)**	(577)
Lease liabilities paid	**(730)**	(868)
Interest paid on lease liabilities	**(138)**	(169)
Repayment of other loans	**—**	(7,500)
Net cash from financing activities	**3,418**	11,912
Net increase in cash and cash equivalents	**1,030**	3,889
Cash and cash equivalents brought forward	**6,806**	2,849
Effect of exchange rate fluctuations on cash	**(236)**	68
Cash and cash equivalents carried forward	**7,600**	6,806

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 2023.

musicMagpie plc is a public limited company incorporated in the United Kingdom whose shares are publicly traded on the AIM market 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 through profit or loss.

The accounting policies that follow set out those policies that apply in preparing the financial statements for the year ended 30 November 2023 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; and
- 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 £6,764,000 during the year ended 30 November 2023 (year ended 30 November 2022: loss of £1,457,000). At the year-end date it had net current assets of £7,612,000 (year ended 30 November 2022: £8,760,000). The Group has access to a £30m committed credit facility. The drawings on the facility are controlled by two financial covenants: leverage, being adjusted EBITDA to net debt, and interest cover, being adjusted EBITDA divided by interest. The Group currently meets its day-to-day working capital requirements through cash reserves and from its credit facility.

In reviewing its forecasts for going concern, the key consideration of the Group is whether it can demonstrate ongoing compliance with the financial covenants on the facility. In completing their going concern assessment, the Directors have reviewed the trading and cash flow forecasts for the period to the end of May 2025 and have incorporated reasonable downside sensitivities. The downside sensitivities were based on reductions in adjusted EBITDA, the key covenant metric. In the worse case scenarios mitigating actions available to the business were included in the assessments. In these forecasts the Directors have confirmed that the Group will be able to continue to meet its quarterly covenant tests and remain within the borrowing limits set out within its bank facility agreement.

Based on the forecasts and the downside scenarios modelled, the Directors 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. 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 other comprehensive income.

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 comprises 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 the 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 which intercompany balances are owed. A loss allowance for expected credit losses ('ECLs') 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 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.

Inter company balances are classified as non-current in the financial statements. In arriving at this classification, management has 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. Equipment rented out to consumers is impaired to a residual value when the device is deemed to be unrecoverable, the residual value being the amount expected to be received when the debt is sold on to a third party.

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, if future economic benefits are probable and if the Group can reliably measure 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 and 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 or products that can be readily sold and by an assessment of the harvestable value of components of a device if sale 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 ('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 the Monte Carlo option pricing model or Black Scholes 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 26 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 have 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 earns rental income on devices rented to customers over fixed terms. The ownership of the devices 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 Group recognises revenue for these rental items on a straight-line basis over the period of the rent. Revenue for terminations is recognised at the point termination is agreed.

2.14 Financial expense

Financial expense includes interest payable on borrowings and other finance charges incurred.

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 component, 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 and 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, or 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 policy 2.10.

2.17 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.

2.18 Derivative financial instruments

The Group accounts for derivative instruments under IFRS 9 'Financial Instruments'. The Group does not hedge account. 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 has 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 not be achieved in line with the Board's plans then it is possible that investments and other assets included in the statement of financial position could be impaired further. See further details in note 15.

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 £1,847,000 (2022: £1,909,000). In arriving at the carrying value management has 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 has had regard to the Board approved one-year budget and the Group's five-year plan. These future forecasts show the Group to profitable. Based on the growth plans of Rental, utilisation of the deferred taxation assets occurs within five to seven years.

Notes continued

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

3.2 New accounting standards and interpretations issued but not effective at the balance sheet date

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 1 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 Consumer Technology and Disc Media and Books.

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

	Technology				
Year ended 30 November 2023	Outright sales £000	Rental income £000	Total £000	Media and books £000	Total £000
Revenue	**87,184**	**8,250**	**95,434**	**41,167**	**136,601**
Gross profit	**15,964**	**7,406**	**23,370**	**14,494**	**37,864**
Processing wages	**(4,088)**	**—**	**(4,088)**	**(7,609)**	**(11,697)**
Contribution after direct labour	**11,876**	**7,406**	**19,282**	**6,885**	**26,167**
Trading margin (%)	**29.6**	**100.0**	**35.7**	**82.6**	**49.2**
Gross margin (%)	**18.3**	**89.8**	**24.5**	**35.2**	**27.7**

Trading margin is the sale proceeds less the cost of the product and is one method used by the Company to assess profitability of segments and product lines.

Contracted rental income outstanding at the year ended 30 November 2023 amounted to approximately £3,600k (year ended 30 November 2022: £3,000k) which is due predominantly in the next 12 months.

	Consumer 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

The CODM does not review asset and liability information in segmental formats and as such no presentation of assets and liabilities is presented for the segments.

5. Revenue

Disaggregation of revenue

An analysis of revenue by geographical market is given below:

	Year ended 30 November 2023 £000	Year ended 30 November 2022 £000
United Kingdom	**99,883**	102,727
Within the European community	**2,353**	4,086
United States of America	**29,585**	34,362
Outside the European community (excluding the USA)	**4,780**	4,104
Total	**136,601**	145,279

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

	Year ended 30 November 2023 £000	Year ended 30 November 2022 £000
United Kingdom	**108,210**	110,233
United States of America	**28,391**	35,046
Total	**136,601**	145,279

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

Notes continued

6. Other non-underlying items

	Year ended 30 November 2023 £000	Year ended 30 November 2022 £000
Non-underlying (loss)/gain	**(1,229)**	1,133
Impairment of goodwill	**(1,100)**	—
Other non-underlying costs	**(198)**	(1,307)
Total	**(2,527)**	(174)

Underlying performance excludes the above (losses)/ gains and expenses which consist of the following in line with historical treatments, or because they are large or one off in nature. For 2023 these consisted of:

- mark to market loss made by the Group on various forward contracts for the purchase of electricity. The purchase price for electricity that the Group has contracted at is above the market price of electricity at the reporting date and a resulting liability of £0.1m has been booked at the balance sheet date. In the prior year the contract was an asset of £1.1m and so a £1.2m loss has been booked in the period;
- Impairment of goodwill held on consolidation £1.1m (2022: £nil), booked following sensitivity analysis on the Group forecasts, see note 15.
- dual running IT costs of £0.1m (2022: £0.9m);
- non-recurring redundancy and re-organisational costs of £0.1m (2022: £nil);
- Covid-19-related expenditure of £nil (2022: £0.2m); and
- VAT provision relating to pre-Brexit tax structure of £nil (2022: £0.2m).

7. Operating loss

Included in the operating loss are the following	Year ended 30 November 2023 £000	Year ended 30 November 2022 £000
Amortisation of intangible assets	**2,538**	1,910
Depreciation of property, plant and equipment:		
Owned assets	**5,147**	3,152
Right-of-use assets	**796**	725
Impairment of property, plant and equipment	**1,463**	835
Loss on disposal of property, plant and equipment	**—**	19
Auditors' remuneration:		
Audit of these financial statements*	**184**	177
Net forex (losses)/gains in the period	**(282)**	145

* £15,000 (year ended 30 November 2022: £15,000) related to the audit of the Company.

The Group undertook no R&D that needed to be expensed in the year (year ended 30 November 2022: £nil).

8. Remuneration of Directors

Short-term benefits	Year ended 30 November 2023 £000	Year ended 30 November 2022 £000
Directors' emoluments	**691**	664
Employer's pension contributions	**11**	9
Total	**702**	673

Included in the above are amounts paid to Non-Executive directors of £207,000 (year ended 30 November 2022: £230,000).

The aggregate emoluments of the highest paid Director were £290,000 (year ended 30 November 2022: £318,000). Pension contributions included in these amounts and paid on his behalf were £7,000 (year ended 30 November 2022: £7,000).

Information on Directors' remuneration for the year ended 30 November 2023 is set out on pages 44 to 47.

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 2023	Group 2022	Company 2023	Company 2022
Office and administration	**178**	202	**5**	12
Warehouse	**412**	481	**—**	—
Total	**590**	683	**5**	12

The aggregate payroll costs of these persons were as follows:

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Wages and salaries	**16,756**	17,790	**687**	1,094
Social security costs	**1,462**	1,317	**80**	143
Other pension costs	**271**	271	**11**	10
Equity-settled share-based payments (see note 25)	**(132)**	167	**(55)**	—
Total	**18,357**	19,545	**723**	1,247

In addition to the above payroll costs, a further £2,440,000 (year ended 30 November 2022: £2,661,000) 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 £2,142,000 during the year (year ended 30 November 2022: £3,010,000).

10. Financial expense

	Year ended 30 November 2023 £000	Year ended 30 November 2022 £000
Interest on bank and other loans	**1,371**	323
Interest expense on lease liabilities	**138**	169
Other non-underlying financial expense	**149**	152
Bank interest and similar charges	**219**	302
	1,877	946

11. Taxation

	Year ended 30 November 2023 £000	Year ended 30 November 2022 £000
Current tax expense		
UK corporation tax on profits for the period	**32**	40
Adjustments in respect of previous periods	**(5)**	132
Total current tax expense	**27**	172
Deferred tax		
Origination and reversal of timing differences	**53**	3,014
Adjustment in respect of previous periods	**9**	92
Total deferred tax charge	**62**	3,106
Total tax charge in the income statement	**89**	3,278
Equity items		
Deferred tax current year charge	**—**	318
Total	**—**	318

Reconciliation of effective tax rate

	Year ended 30 November 2023 £000	Year ended 30 November 2022 £000
Loss before taxation	**(6,764)**	(1,457)
Tax using the UK corporation tax rate of 23% (2022: 19%)	**(1,556)**	(277)
Other tax adjustments, reliefs and transfers	**300**	20
Adjustments in respect of prior periods – current tax	**(5)**	132
Adjustments in respect of prior periods – deferred tax	**9**	92
Tax rate changes	**(67)**	—
Research and development expenditure credit	**26**	40
Share options	**78**	3,000
Deferred tax not recognised	**1,304**	271
Total tax charge in the income statement	**89**	3,278

Notes continued

12. Deferred tax

	Tax losses £000	Capital allowances £000	Share options £000	Others £000	Total £000
At 1 December 2022	1,893	(610)	417	209	1,909
Credited/(debited) to profit or loss	77	(5)	(78)	(56)	(62)
At 30 November 2023	**1,970**	**(615)**	**339**	**153**	**1,847**

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 23% (2022: 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.

In addition to the above, the Group has unrecognised deferred tax assets in respect of carried forward losses amounting to £3,253,000 (year ended 30 November 2022: £1,676,000).

13. Loss per share

	Note	Year ended 30 November 2023 £000	Year ended 30 November 2022 £000
Loss for the period		**6,853**	(4,735)

	Note	Number	Number
Weighted average number of shares	1, 2	**98,612,385**	98,588,041
Diluted number of shares		**101,070,385**	101,153,813

		Pence	Pence
Basic loss per share (pence)		**(6.8)**	(4.7)
Diluted loss per share (pence) (same as basic)		**(6.8)**	(4.7)

1. The weighted average number of shares and diluted number of shares excludes shares held by the Employee Benefit Trust in respect of share options outstanding and exercisable at the end of the year. See note 26 for further details.
2. No adjustment has been made to the diluted weighted average number of shares for the sharesave share option schemes as these have an anti-dilutive effect.

14. Property, plant and equipment

	Right-of-use lease assets £000	Plant and machinery £000	Fixtures and fittings £000	Rental assets £000	Computer and office equipment £000	Total £000
Cost						
Balance at 1 December 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
Additions	53	56	97	8,505	99	8,810
Effect of movements in foreign currency	(109)	(11)	(14)	—	(6)	(140)
Impairment	—	—	—	(3,156)	—	(3,156)
Disposals		—	—	(2,818)	—	(2,818)
Balance at 30 November 2023	**7,263**	**2,801**	**1,983**	**11,292**	**1,722**	**25,061**
Depreciation						
Balance at 1 December 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
Charge for the year	796	446	270	4,194	237	5,943
Effect of movements in foreign currency	(75)	(8)	(11)	—	(5)	(99)
Impairment	—	—	—	(1,308)	—	(1,308)
Disposals	—	—	—	(913)	—	(913)
Balance at 30 November 2023	**4,353**	**802**	**1,330**	**4,094**	**1,414**	**11,993**
Net book value						
At 30 November 2023	**2,910**	**1,999**	**653**	**7,198**	**308**	**13,068**
At 30 November 2022	3,687	2,392	829	6,640	447	13,995

Once rental contracts pass a certain ageing of delinquency, the contracts are considered irrecoverable and the value of the handsets on rent are impaired down to zero value. The profit impact of the impairment in the year was £1,463,000 (2022: £835,000). The cash impact of the impairment was £2,610,000 (2022: £1,120,000).

Company

The Company has no tangible fixed assets.

Notes continued

15. Intangible assets

	Goodwill £000	Website and IT development £000	Proprietary software £000	Domains £000	Total £000
Cost					
Balance at 1 December 2021	4,848	10,257	3,000	53	18,158
Additions	—	4,555	—	—	4,555
Disposals	—	(4,841)	—	—	(4,841)
Balance at 30 November 2022	4,848	9,971	3,000	53	17,872
Additions	—	4,086	—	—	4,086
Balance at 30 November 2023	**4,848**	**14,057**	**3,000**	**53**	**21,958**
Amortisation and impairment					
Balance at 1 December 2021	—	6,667	1,782	29	8,478
Charge for the year	—	1,605	300	5	1,910
Disposals	—	(4,895)	—	—	(4,895)
Balance at 30 November 2022	—	3,377	2,082	34	5,493
Charge for the year	—	2,233	300	5	2,538
Impairment	1,100	—	—	—	1,100
Balance at 30 November 2023	**1,100**	**5,610**	**2,382**	**39**	**9,131**
Net book value					
At 30 November 2023	**3,748**	**8,447**	**618**	**14**	**12,827**
At 30 November 2022	4,848	6,594	918	19	12,379

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 2023	30 November 2022
Period on which management approved forecasts are based	**5 years**	5 years
Growth rate applied beyond approved forecast period	**(10%)**	(10%)
Discount rate pre-tax	**8%**	11%

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. The 5-year forecasts for the non-rental CGU included contributions of new product categories as the business intends to expand its recommerce business into new areas, and annual improvements in gross margin as a result of strategic decision making by management. For years 6 to 10 there is an assumption of negative sales growth. This negative growth assumption allows for the declining business of Disc Media and Books, offset by the increasing sales from Consumer Technology. The net overall sales decline assumption allows for the unpredictability of these out years across both segments. Year ten uses a terminal value on the cash flow from that year for the non-rental CGU; no terminal values are used in the rental CGU as it is still a relatively new business and it is not clear if the business model will sustain after year 10. Inflation in the cost base is captured in the board approved plans.

The key assumptions upon which management has based its cash flow projections are:

- the weighted average cost of capital ('WACC') used to discount the future cash flows; and, which has reduced in the year owing to the fall in the expected rate of return on equity, (the cost of debt element in the WACC has remained virtually unchanged);
- the contribution of new product categories, which are a key facet to future revenue and profit growth; and
- the plans around gross margin improvements in the Consumer Technology segment, which follow on from recent gross profit improvements in the year and expect ongoing improvements year over year.

Sensitivities: the following sensitivities were run on the valuation approaches:

1. Increasing the WACC to 15%: in isolation this would not change the outcome of the review.
2. Reducing the rate of growth of gross margin improvements in the future years.

When reviewing the gross margin improvements likely to be achieved in the forecast models, it was identified that the recoverable amount of the discounted cash flows was less than the carrying value of the assets. Accordingly an impairment to goodwill of £1.1m was included in these financial statements.

16. Investments

Company	In subsidiaries £000
Cost and net book value	
At the beginning of the year	14,333
Disposals	(25)
At the end of the year	14,308

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 2023.

Name of subsidiary and company number	Principal place of business	Class of shares held	Proportion of ownership	Principal activity
Entertainment Magpie Group Limited^ 09775280	United Kingdom	Ordinary	100%	Intermediate holding company
Entertainment Magpie Holdings Limited*^ 07578858	United Kingdom	Ordinary	100%	Intermediate holding company
Entertainment Magpie Limited* 06277562	United Kingdom	Ordinary	100%	Purchase and resale of electronic items and replay media products
MM Guernsey Limited*^X 52777	Guernsey	Ordinary	100%	Refurbishment and dispatch of replay media products
Mozo Media Limited*^ 06759026	United Kingdom	Ordinary	100%	Refurbishment and dispatch of replay media products
Entertainment Magpie, Inc* 33-1225350	United States of America	Ordinary	100%	Refurbishment and 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.

X Entity under a formal wind-up process at the balance sheet date.

18. Inventories

	Year ended 30 November 2023 £000	Year ended 30 November 2022 £000
Goods for resale	**7,387**	8,824
Total	**7,387**	8,824

Goods for resale recognised as cost of sales in the year ended 30 November 2023 amounted to £68,550,000 (year ended 30 November 2022: £75,336,000). The write-down of inventories to net realisable value and reversals is included in cost of sales.

The Company's closing inventory value is £nil (2022: £nil).

19. Trade and other receivables

Current assets	Group 2023 £000	Company 2023 £000	Group 2022 £000	Company 2022 £000
Trade receivables	**631**	**—**	701	—
Amounts due from Group companies	**—**	**—**	—	10,738
Other receivables	**260**	**—**	216	—
Prepayments and accrued income	**1,105**	**28**	1,685	19
Total	**1,996**	**28**	2,602	10,757
Non-current assets				
Amounts due from Group companies	**—**	**9,903**	—	—
Total	**—**	**9,903**	—	—

Information related to the Group's exposure to credit risk, market risk and impairment losses on receivables is included in note 29. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value determined using Level 3 inputs.

20. Derivative financial asset

	2023 £000	2022 £000
Derivative financial asset		
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. The derivative financial asset as at 30 November 2022 is now a derivative financial liability as at 30 November 2023 (see note 23 for details).

Notes continued

21. Cash and cash equivalents

	2023 £000	2022 £000
Cash and cash equivalents	**7,600**	6,806
Total	**7,600**	6,806

The Company has no cash and cash equivalents.

22. Trade and other payables

	2023		2022	
	Group £000	Company £000	Group £000	Company £000
Trade payables	**6,360**	**—**	6,166	—
Other taxation and social security	**463**	**—**	542	—
Other payables and accruals	**1,418**	**4**	2,632	37
Total	**8,241**	**4**	9,340	37

Due to the short-term nature of the current payables, their carrying amount is considered to be the same as their fair value determined using Level 3 inputs.

23. Derivative financial liability

	2023 £000	2022 £000
Derivative financial liability		
Derivatives not designated as hedging instruments	**96**	—
Total	**96**	—
Current and non-current		
Current	**96**	—
Non-current	**—**	—
Total	**96**	—

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

24. 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 29.

	2023 £000	2022 £000
Current liabilities		
Bank loan interest	**203**	—
Lease liabilities	**831**	687
Total	**1,034**	687
Non-current liabilities		
Bank loans	**20,496**	14,675
Lease liabilities	**2,582**	3,403
Total	**23,078**	18,078
Falling due within one year	**1,034**	687
Falling due after more than one year	**23,078**	18,376
Total	**24,112**	19,063
Unamortised debt issue costs	**(254)**	(298)
Total interest-bearing loans and borrowings	**23,858**	18,765

The Group has a £30m committed revolving credit facility ('RCF') arrangement with HSBC UK and NatWest banks. This agreement expires in July 2026. 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 banks have security over Group assets in the form of debentures and cross-guarantees from all material entities in the Group.

The Company has no borrowings.

Terms and debt repayment schedule

30 November 2023	Currency	Interest rate	Year of maturity	Debt value £000	Carrying value £000
Bank loans	**GBP**	**SONIA + 1.95–2.5%**	**2026**	**20,953**	**20,699**
Lease liabilities	**GBP**	**5%**	**2023–2027**	**2,791**	**2,791**
Lease liabilities	**USD**	**5%**	**2027**	**622**	**622**
Total				**24,366**	**24,112**

Notes continued

24. Interest-bearing loans and borrowings continued

Terms and debt repayment schedule continued

Interest on the revolving credit facility is dependent on the average base rate in the market and adjusted for the Group's leverage.

30 November 2022	Currency	Interest rate	Year of maturity	Debt value £000	Carrying value £000
Bank loans	GBP	SONIA + 1.95–2.5%	2026	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

Changes in liabilities from financing activities

30 November 2023	Bank loan £000	Lease liabilities £000	Total £000
Balance at 1 December 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 loans	(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
Other movements	146	—	146
Total	469	169	638
Balance at 30 November 2022	14,675	4,090	18,765
Changes from financing cash flows			
Lease additions	—	53	53
Proceeds from new loan	8,204	—	8,204
Repayment of existing loans	(2,250)	—	(2,250)
Interest paid	(1,450)	(138)	(1,588)
Payment of lease liabilities	—	(730)	(730)
Total	19,179	3,275	22,454
Other changes			
Interest expense	1,371	138	1,509
Other movements	149	—	149
Total	1,520	138	1,658
Balance at 30 November 2023	**20,699**	**3,413**	**24,112**

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

25. 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 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
Additions to right-of-use asset	53
Effect of movements in foreign currency	(34)
Depreciation	(796)
Balance at 30 November 2023	**2,910**

Lease liabilities	Land and buildings £000
Balance at 1 December 2021	1,923
Additions to lease liabilities	3,035
Interest expense	169
Lease payments	(1,037)
Balance at 30 November 2022	4,090
Additions to lease liabilities	53
Interest expense	138
Lease payments	(868)
Balance at 30 November 2023	**3,413**

Amounts recognised in the consolidated income statement

Land and buildings	**Year ended 30 November 2023 £000**	Year ended November 2022 £000
Depreciation charge on right-of-use assets	**796**	725
Interest on lease liabilities	**138**	169
Total	**934**	894

Notes continued

25. Right-of-use assets and lease liabilities continued

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 2023	**3,413**	**3,677**	**937**	**953**	**1,304**	**483**
30 November 2022	4,090	4,916	867	969	2,357	723

26. 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 £265,000 (year ended 30 November 2022: £271,000).

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 the period in respect of these equity-settled share options under the same vesting criteria as above was £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 vests 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 2022 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 individual service.

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

	Number		Weighted exercise price		Weighted average remaining contracted life	
Sharesave	**2023**	2022	**2023**	2022	**2023**	2022
Outstanding at 1 December	**554,192**	48,672				
Granted during the year	**—**	508,720				
Forfeited	**(217,112)**	(3,200)				
Outstanding at 30 November	**337,080**	554,192	**£0.57**	£0.56	**8.3 yrs**	9.75 yrs

	Number		Weighted exercise price		Weighted average remaining contracted life	
EBT	**2023**	2022	**2023**	2022	**2023**	2022
Outstanding at 1 December	**9,195,902**	9,195,902				
Outstanding at 30 November	**9,195,902**	9,195,902	**£nil**	£nil	**4.4 yrs**	5.4 yrs

	Number		Weighted exercise price		Weighted average remaining contracted life	
LTIP	**2023**	2022	**2023**	2022	**2023**	2022
Outstanding at 1 December	**2,565,772**	—				
Granted during the year	**—**	2,565,772				
Lapsed	**107,772**	—				
Outstanding at 30 November	**2,458,000**	2,565,772	**£nil**	£nil	**8.25 yrs**	9.25 yrs

No options were exercised or granted in the EBT, sharesave scheme or LTIP during the year.

Notes continued

26. Employee benefits continued

Fair value of share options and assumptions

	As at 30 November 2023			
	LTIP	EBT	Sharesave 2022	Sharesave 2021
Fair value at measurement date	**£0.45**	**£1.88**	**£nil**	£0.35
Share price at grant	**£0.45**	**£1.88**	**£0.31**	£1.82
Exercise price	**£nil**	**£nil**	**£0.45**	£1.82
Expected volatility	**25.0%**	**45.0%**	**25.0%**	25.0%
Expected dividends	**0.0%**	**0.0%**	**0.0%**	0.0%
Risk-free interest rate	**2.0%**	**0.6%**	**2.0%**	1.25%
Option life	**3.25 yrs**	**0.2 yrs**	**3.25 yrs**	3.25 yrs

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 Group's 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.

Staff costs – equity-settled share-based payments

	Year ended 30 November 2023 £000	Year ended 30 November 2022 £000
Sharesave	**8**	27
LTIP	**(140)**	140
	(132)	167

27. 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 12.3% of the voting shares of the Group.

Group

The compensation of the Directors, including amounts paid for services provided to the Directors, totalled £702,000 (year ended 30 November 2022: £673,000). See note 8 for further details.

Compensation for other members of the Senior Leadership Team not included in the above totalled £1,004,000 (year ended 30 November 2022: £1,095,000).

In addition, equity-settled share-based payment charges and employer's NI with key management personnel totalled £67,000 (year ended 30 November 2022: £371,000).

Transactions with the Employee Benefit Trust

There were no movements in EBT during the year (2022: no movements) 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.

Company

The compensation of the Directors totalled £687,000 (year ended 30 November 2022: £673,000).

In addition, equity-settled share-based payment charges and employer's NI with the Directors totalled £25,000 (year ended 30 November 2022: £138,000).

28. Capital and reserves

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

	£0.01 each	£000
30 November 2021 – ordinary shares	107,772,050	1,078
Shares issued in the year	36,237	—
30 November 2022 – ordinary shares	107,808,287	1,078
30 November 2023 – ordinary shares	**107,808,287**	**1,078**

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

Notes continued

28. Capital and reserves continued

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.

29. 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.

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, and 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.

The Group applies the IFRS 9 when measuring expected credit losses for trade receivables. Given the very low trade receivables balances, the low expected loss rates and the known credit status of the customers, the loss allowance is less than £1,000. Group balances are also assessed under IFRS 9 and impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. Where appropriate the Group balances are impaired.

Exposure to credit risk

	Year ended 30 November 2023 £000	Year ended 30 November 2022 £000
Trade and other receivables	**891**	917
Cash and cash equivalents	**7,600**	6,806
Total	**8,491**	7,723

Notes continued

29. Financial instruments and risk management continued

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 2023	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	7,778	7,778	7,778	—	—	—
Bank loans	20,699	20,953	203	—	20,750	—
Derivative financial liability	96	96	96	—	—	—
Lease liabilities	3,413	3,677	937	953	1,304	483
Total	31,986	32,504	9,014	953	22,054	483

	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

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 expose 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.

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

	30 November 2023 £000	30 November 2022 £000
Fixed rate instruments		
Lease liabilities	3,413	4,090
Total	3,413	4,090
Variable rate instruments		
Bank loans	20,953	14,973
Total	20,953	14,973

Sensitivity analysis

A change of 150 basis points in interest rates at the reporting date would have decreased equity and profit or loss by £270,000 (2022: 100 basis points: £106,000). 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.

Notes continued

29. Financial instruments and risk management continued

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 2023			30 November 2022		
	GBP Sterling £000	**US Dollars £000**	**Total £000**	GBP Sterling £000	US Dollars £000	Total £000
Cash and cash equivalents	**6,594**	**1,006**	**7,600**	5,834	972	6,806
Trade and other receivables	**787**	**104**	**891**	836	81	917
Trade and other payables	**(7,147)**	**(631)**	**(7,778)**	(7,915)	(883)	(8,798)
Borrowings	**(20,699)**	**—**	**(20,699)**	(14,675)	—	(14,675)
Lease liabilities	**(2,791)**	**(622)**	**(3,413)**	(3,194)	(896)	(4,090)
Total	**(23,256)**	**(143)**	**(23,399)**	(19,114)	(726)	(19,840)

The following significant exchange rates were applied:

	30 November 2023	30 November 2022
Average rate for the financial period		
US Dollars	**1.24**	1.26
Balance sheet rate		
US Dollars	**1.27**	1.21

Sensitivity analysis

A 10% weakening of the US Dollar against Pound Sterling at 30 November 2023 would have decreased equity and profit or loss by £100,000 (2022: £20,000). 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 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); and

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

	2023		2022	
	Carrying amount £000	**Fair value £000**	Carrying amount £000	Fair value £000
Borrowings (Level 3)	**20,699**	**20,953**	14,675	14,973
Derivative financial liability (Level 2)	**96**	**96**	—	—
Total	**20,795**	**21,049**	14,675	14,973

30. 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.

Notes continued

30. Alternative performance measures continued

Adjusted (loss)/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 2023 £000	Year ended 30 November 2022 £000
Loss before tax	**(6,764)**	(1,457)
Equity-settled share-based payments	**(132)**	167
Other non-underlying items	**2,527**	174
Adjusted loss before tax	**(4,369)**	(1,116)

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 2023 £000	Year ended 30 November 2022 £000
Adjusted loss before tax	**(4,369)**	(1,116)
Depreciation of property, plant and equipment	**5,943**	3,877
Impairment of property, plant and equipment	**1,463**	835
Loss on disposal of property, plant and equipment	**—**	19
Amortisation of intangible assets	**2,538**	1,910
Financial expense	**1,877**	946
Adjusted EBITDA	**7,452**	6,471

Adjusted operating cash flow

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

	Year ended 30 November 2023 £000	Year ended 30 November 2022 £000
Adjusted EBITDA	**7,452**	6,471
Movements in working capital	**2,102**	1,029
Adjusted operating cash flow	**9,554**	7,500

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 2023 £000	Year ended 30 November 2022 £000
Net cash generated from operations (from consolidated cash flow statement)	**8,123**	6,193
Other non-underlying cash items	**198**	174
Cash generated from operations before non-underlying items paid	**8,321**	6,367
Adjusted EBITDA	**7,452**	6,471
Cash conversion %	**111.7%**	98.4%

Net debt

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 2023 £000	Year ended 30 November 2022 £000
Cash and cash equivalents	**6,806**	6,806
Loans and accrued loan interest	**(20,699)**	(14,675)
Unamortised loan arrangement fees	**(254)**	(298)
External loans	**(20,953)**	(14,973)
Net debt	**(14,147)**	(8,167)

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