28 June 2024

musicMagpie plc

(“musicMagpie", or “the Group”)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MAY 2024

musicMagpie, a circular economy pioneer specialising in refurbished consumer technology, disc media and books, announces its unaudited interim results for the six months ended 31 May 2024.

Financial and operational highlights

- Group revenue of £53.8m (H1 2023: £61.9m), with the reduction owing to the planned conversion of the Group’s US business into a sourcing-only operation
- UK Consumer Technology outright sales marginally up at £28.7m (H1 2023: £28.6m)
- US Consumer Technology outright sales reduced to £1.6m (H1 2023: £8.5m), with the effect of the change to a sourcing-only operation
- Rental revenue was £3.8m (H1 2023: £4.0m), with active subscribers of 32,700 at 31 May 2024 (30 Nov 2023: 37,100), as the business manages the cash investment required for rented devices
- Disc Media and Books sales of £19.7m (H1 2023: £20.9m), down 5.7% on the prior year, but representing a significant reduction on the declines seen in previous years
- Successful delivery of cost reduction measures reduced overheads by £2.4m in H1 2024 versus H1 2023 mitigating much of the reduced gross profit from lower revenues
- Adjusted EBITDA[1] of £2.4m (H1 2023: £2.8m), with the prior period benefiting from a one-off £0.3m from the sale of delinquents from the rental book
- Small improvement in loss before taxation of £3.0m (H1 2023: £3.2m loss) on lower revenues and with significantly less cash investment; £0.5m improvement against H1 2023 when excluding the benefit of a sale of delinquent rental assets in the prior period
- Net debt for bank reporting of £13.8m (31 May 2023: £13.7m), consistent with Board expectations and prior year
- Post period end: launched the buying of branded fashion on the musicMagpie platform as the next step in unlocking a 'world of inventory' from people's homes

OUTLOOK

Due to the prevailing macroeconomic headwinds in the market, current trading conditions remain challenging. However, the second half of the Group’s financial year includes the Black Friday period and this is historically when the majority of full year profits are earned. While current wider market conditions lead the Board to be cautious on the medium-term outlook, by focusing on improving profitability, combined with the cost savings introduced, the Board remains confident in the strategy of unlocking inventory in people’s homes to further capitalise on the growth in second-use markets.

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

Commenting on the results, Steve Oliver, Chief Executive Officer of musicMagpie, said:

“Amidst an increasingly competitive environment for second-use technology, and with consumers continuing to feel the squeeze on their wallets, the market has undoubtedly been challenging. However, our turnover remained robust in the UK, where Consumer Technology sales held firm, and Disc Media and Books showed welcome signs of stabilisation.

"We have been proactive in delivering savings to our cost base and right sizing our business. Combined with our efforts to refine and improve the way in which we buy, sell, and rent, our business

is now in a stronger position and better able to capitalise on the continued growth of second-use markets. We have recently launched the buying of branded fashion items on the musicMagpie platform and intend to continue broadening our offering and further unlock the 'world of inventory' that sits in consumers' households."

- Ends –

Enquiries

musicMagpie plc Steve Oliver, CEO Ian Storey, COO Matthew Fowler, CFO	**Tel: +44 (0) 870 479 2705**
Shore Capital (Nominated Adviser and Broker) Mark Percy Malachy McEntyre Daniel Bush Rachel Goldstein	**Tel: +44 (0) 20 7408 4090**
Powerscourt (Financial Public Relations) Rob Greening Sam Austrums Oliver Banks	**Tel: +44 (0) 20 7250 1446**

Offer period

musicMagpie plc has been in an offer period since 27 November 2023 during which time various conversations have taken place with interested parties. Several discussions remain ongoing and as such the Company remains in an offer period. There can be no certainty that any offer for the Company will be made, nor as to the terms of any such offer. The Panel Executive has granted a dispensation from the requirements of Rule 2.4(a) and Rule 2.4(b) of the Takeover Code such that the Company is not required to identify any potential offeror with which the Company is in talks, or from which an approach has been received.

About musicMagpie plc

Operating through two trusted brands - musicMagpie in the UK and decluttr in the US - musicMagpie's core strategy is simple: to provide consumers with a smart, sustainable and trusted way to buy, rent and sell refurbished consumer technology, physical media products and clothing items with sustainability running to the very heart of its operations. Founded in 2007, the Group has an established presence in the UK, with operations in Stockport, Greater Manchester, and in the US in Atlanta, Georgia.

musicMagpie has a strong environmental and social focus, as demonstrated by its trademarked 'smart for you, smart for the planet' ethos. Nearly 400,000 consumer technology products were resold in FY23. In addition, the Group re-sells approximately 8.4m books and disc media each year that could have ended up as waste. The Group has been given the London Stock Exchange's Green Economy Mark in recognition of its contribution to the global green economy.

When selling to musicMagpie, the customer is offered a fixed valuation via the website, provided with free logistics to ship the products and (subject to it being 'as described') receives payment for their product on the day of arrival at the Group's warehouse. The Group has partnered with Asda to give customers the option of using its SMARTDrop Kiosks in store for a fast and easy way to recycle phones for instant payment. Customers purchasing from musicMagpie receive branded refurbished product for a fraction of the price of buying new.

The Group has the highest number of seller reviews on both Amazon and eBay and has consistently achieved extremely positive feedback scores. The Group also has a 4.4* rating on UK Trustpilot with over 293,000 reviews, and is honoured to have won Best Refurbished in the Uswitch Telecoms Awards 2023 as well as Best Online Retailer and Best Secondary Market Provider at the Mobile News Awards 2023.

For further information please visit: www.musicmagpieplc.com

OPERATING REVIEW

Consumer Technology

We took the decision during the early part of the period to convert the US Consumer Technology business into a sourcing-only operation, buying devices in the US and selling them in the UK for a higher gross margin than could be achieved in the US. This decision has had an inevitable impact on overall revenues, with the US business reporting revenues that were £7.7m lower than the prior year. This reduction accounts for the majority of the £6.8m reduction in Group Consumer Technology revenues, which fell to £30.3m. In the UK, Consumer Technology had marginally increased revenues of £28.7m versus £28.6m in H1 2023 owing to the impacts of the increasingly competitive market for second-use technology. Buying cheaper in the US and selling in the UK did positively contribute to the Group's margins, with overall gross margins being 19.7%, up by 1.4% on the 18.3% achieved in the 12 months to November 2023.

During H1 2024 we also progressed our Buy Now Pay Later ("BNPL") offering with the introduction of both design and technical improvements at checkout and on our product detail pages. As a result, we are seeing improved sales conversion rates. Enhancing cost spreading options to the consumer, with BNPL sitting alongside and complementing our Rental subscription model, is expected to improve overall outright sales, the full effects of which will be clearer at the FY24 results, given the recent timings of these changes.

Finally, our SMARTDrop kiosks remain a unique differentiator and enabler in sourcing good product. Our kiosks are installed across approximately 290 Asda stores in the UK as well as a small number of large shopping centres. This innovative buying tool allows us to promote our brand, buy additional handsets and give consumers the unique opportunity to get paid within seconds for their smartphones. During the period we have refined our kiosk offering away from a mass-market solution towards upper end devices.

Rental

To optimise the Group's return on capital, we chose to segment the rental model midway through 2023, limiting it to a smaller subset of customers with higher credit ratings, better renewal rates and more interest in the upgrade journey. The impact of this strategy is visible in the H1 2024 performance; the cash investment into rental assets was just £0.2m (H1 2023: £4.6m), gross margin was up at 90.7% (H1 2023: 84.5%) and, allowing for depreciation and loss provisions of £1.9m (H1 2023: £2.8m), rental has made a significantly improved bottom line contribution despite the reduced number of contracted renters of 32,700 (November 2023: 37,100). We will continue to manage the offering during the second half of the financial year and expect a lower level of Rental revenue than reported in 2023. The lower revenue will be somewhat offset at a profit before taxation level by reduced depreciation and lower impairment losses.

Disc Media and Books

Disc Media and Books is our legacy category and is being managed for cash. Over recent years, this category's sales have been affected by the move to online streaming. Pleasingly, however, the revenue decline appears to be decelerating, with revenue to May 2024 being down just 5.7% compared to the 17.4% reduction seen in the same six-month period in 2023. The Disc Media and Books segment only requires modest investment to sustain its performance and during the period we implemented a new pricing software to automate and improve pricing.

Resilience Strategies

In response to the challenging market conditions, the Group has implemented a number of strategies that focus on profitability and cash. Our "no stone unturned" approach in both the UK and US has resulted in a significant reduction in overheads, and we continue to review the Group's cost base and cost drivers to achieve best value. We have reduced the number of staff in the US because of the move to become a sourcing-only business for Consumer Technology. We also took similar steps in the UK to better match the cost base of the business to the size of its activity. With our external marketing spend, we have been even more judicious with our outlay, but without damaging overall brand awareness. In total, overheads were down £2.4m (or around 15%) and we expect further progress in H2 2024 as the full run-rate benefit of the changes made takes effect.

Operational Improvements

The most significant operational change in the period has been the decision to convert the Group's US business into a sourcing-only operation. The US market for second-use phones is not as developed as in the UK. We are therefore able to source product in the US and sell into the UK to exploit greater margin opportunities than selling in-country. This step has also allowed us to reduce costs in the US to fit a sourcing-only model and, in total, is accretive to the Group.

As well as the strategic decision to reduce activity in the US, we have made tactical technological investments into AI to further reduce our reliance on manual processes. AI brings the advantages of scalability, consistency and a reduction in costs, and we have started by making significant changes in our back-office customer service functions. The Consumer Technology business employs a skilled workforce for the repairing of devices, and we have put more rigorous models around when to undertake value-add activities, helping us to improve more devices for higher margin where the economics permit.

Both activities have helped to deliver sustained gross margins, which were 38.3% in Consumer Technology (H1 2023: 38.1%) and 29.1% at a Group-level (H1 2023: 29.7%).

Other second-use markets

Growing environmental awareness is seeing the recommerce sector flourish and become mainstream. We expect this trend will continue across an ever-broadening spectrum of products and categories, and we have a strategy to unlock a 'world of inventory' from consumers' homes by providing them with solutions across new product categories.

We entered our first new category in June 2024 with the launch of a branded fashion buying service on the musicMagpie store. The items purchased using this new service will then be sold onto expert third-party trade partners. The Group has a scalable model for buying and selling new product categories and, where the economics are attractive, we expect to add further new product categories to our offering.

FINANCIAL REVIEW

Revenue and EBITDA

Group revenue for the six months ended 31 May 2024 was £53.8m (H1 2023: £61.9m). Changes to the US Consumer Technology business, which was converted to a sourcing-only operation, were responsible for £6.9m (or 85%) of the period's revenue decline. Outright Consumer Technology sales in the UK were £28.7m (H1 2023: £28.6m).

Rental revenues were £3.8m (H1 2023: £4.0m) with 32,700 active renters at 31 May 2024 (H1 2023: 39,000). Overall rental profitability has increased, helped by higher margins and lower delinquency costs. Given the current strategy of limiting our Rental offering to a subset of higher-quality customers, and the opening position of 32,700 contracts at 1 June 2024, revenues will continue to reduce during the second half of the financial year.

Revenues in Disc Media and Books, our legacy category, declined less than in recent years. Segment revenue was £19.7m, which represents a fall of 5.7% from £20.9m in 2023. Within this category, UK revenues fell by just 2.7%, or £0.4m, which again suggests a deceleration in category decline.

Despite lower volumes, gross margin for Consumer Technology increased to 27.6% (H1 2023: 26.6%),and was positively impacted by the richer mix of higher margin rental sales. H1 2024 Consumer Technology margins also compare favourably to the 12-month period to November 2023, where gross margin was 24.5%. Gross margin from the Disc Media and Books segment was 31.6% (H1 2023: 35.9%) having been impacted by some moderate cost increases, mainly in postage. Pleasingly, Group expectations for the category in the second half of the financial year are more positive.

Total gross profit for the Group was £15.6m (H1 2023: £18.4m), resulting in a gross margin of 29.1% (H1 2023: 29.7%). Below gross profit and as part of a strategy to control costs and increase profitability, overheads were £13.3m, significantly down on the £15.6m from 2023, as a result of savings both in terms of marketing spend and the operational costs base.

Adjusted EBITDA for the period was £2.4m (H1 2023: £2.8m) reflecting in part the retraction of US sales, and the prior period benefitting from one-off disposal proceeds from delinquent accounts.

Reported and adjusted PBT

Below EBITDA, the reduction in the value of assets out on rent has driven a large portion of the reduction in depreciation from £2.7m in 2023 to £2.4m in the current year. In addition, the focus of renting to higher credit rated customers has helped reduce the losses on rentals from £0.9m for the six months to May 2023 to just £0.3m for the same period in 2024. Combining Rental contribution, deprecation and losses has created a £1.0m improvement to PBT year over year. Amortisation increased to £1.4m (H1 2023: £1.2m) and reflects the profile of spend in previous periods. The £0.2m of exceptionals in the period (H1 2023: £0.5m) related to the severance cost of leavers following cost reduction exercises, and in the prior year were associated with the energy contract mark-to-market that has a negligible impact in 2024.

Finance costs were £1.0m (H1 2023: £0.8m), with the small increase being driven by an increase in the average drawings over the period. Interest costs are a focus for the Group with efforts being made to keep the drawing down and minimise interest payments.

The Group's loss before tax was £3.0m (H1 2022: £3.2m). After estimating the full year tax rate and adjusting for deferred tax, the tax credit for the period is £0.1m (H1 2023: £0.3m) and the loss after tax is £2.9m (H1 2023: £2.9m). The basic and diluted loss per share was 2.9p (H1 2023: 2.9p).

Balance sheet

Non-current assets reduced from £31.3m to £25.9m, with £2.9m of this reduction within the Rental assets with a lower number of contracts in May 2024. The remaining reduction was owing to deprecation of £0.8m (H1 2023: £0.8m) being much greater than the level of new capex £0.1m (H1 2023: £0.2m).

A focus on stock management, and changes made in the US operation, have benefitted inventory, which reduced to £5.0m (H1 2023: £7.5m) and made a significant contribution to cash inflows during the period. Other working capital levels have remained fairy static, contributing to net current assets of £4.0m (H1 2023: £6.5m).

Borrowings remained virtually unchanged at £18.4m (H1 2023: £18.4m), as did cash and cash equivalents, which were £4.6m (H1 2023: £4.8m), leaving a very similar level of net debt.

Net assets at the end of the period were £9.4m (31 May 2023: £16.5m).

Cashflow

Operating cashflows were up £0.4m on the prior year at £2.8m (H1 2023: £2.4m) driven by a reduction in working capital related to lower activity in the US Consumer Technology business supporting an inventory number significantly lower than November 2023.

Below operating cashflow, capex spend was down significantly to £0.3m versus £4.8m in the prior year, almost entirely owing to the reduction in the rental book. Development spend of £1.8m (H1 2023 £2.2m) was also down following the completion of a number of major IT projects. In total, cash consumed on investing activities was down £4.8m on the same period to May 2023. Below investing activities, £0.5m was incurred on property leases, consistent with the prior period. Interest paid on the Group's borrowings was £1.0m, up from £0.7m owing to the larger average debt during the period.

Net debt for bank reporting on 31 May was £13.8m (H1 2023: £13.7m, and at November 2023 £13.1m). The rental contracts for the 32,700 renters represent committed future cashflows of £3.3m as well as £5.1m of assets that will return to the business for resale once contracts are complete. Stating net debt after both these future cashflows reduces the net debt to a notional figure of £5.4m (H1 2023: £3.6m).

Both leverage (being net debt to rolling EBITDA) and interest cover (being rolling EBITDA divided by net interest costs) are comfortably under the previously stated covenant limits of 2.5 times leverage and 4.0 times interest cover.

Martin Hellawell	**Steve Oliver**
Chair	Chief Executive Officer

Consolidated Condensed Statement of Comprehensive Income

	Note	**Unaudited 6 months ended 31 May 2024 £'000**	Unaudited 6 months ended 31 May 2023 £'000	Audited Year ended 30 Nov 2023 £'000
Revenue	4,5	**53,817**	61,929	136,601
Cost of sales		**(38,172)**	(43,533)	(98,737)
Gross profit		**15,645**	18,396	37,864
Operating expenses		**(17,405)**	(20,424)	(40,224)
Operating expenses - exceptional		**(229)**	(372)	(2,527)
Total operating expenses		**(17,634)**	(20,796)	(42,751)
Adjusted EBITDA*	11	**2,359**	2,759	7,452
Depreciation of property, plant and equipment		**(2,362)**	(2,697)	(5,943)
Impairment of property, plant and equipment		**(323)**	(897)	(1,463)
Amortisation of intangible assets		**(1,434)**	(1,193)	(2,538)
Equity - settled share-based payments		**-**	137	132
Other non - underlying items		**(229)**	(509)	(2,527)
Operating loss		**(1,989)**	(2,400)	(4,887)
Financial expense		**(1,010)**	(776)	(1,877)
Loss before taxation		**(2,999)**	(3,176)	(6,764)
Taxation	6	**107**	325	(89)
Loss for the period		**(2,892)**	(2,851)	(6,853)
Other comprehensive expense				
Items that may be reclassified to profit and loss				
Foreign exchange differences on translation of foreign operations		**(6)**	(100)	(282)
Total comprehensive loss for the period		**(2,898)**	(2,951)	(7,135)
		Pence	Pence	Pence
Basic and diluted loss per share for the period	7	**(2.9)**	(2.9)	(6.8)

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

Consolidated Condensed Statement of Financial Position

	Note	**Unaudited As at 31 May 2024 £'000**	Unaudited As at 31 May 2023 £'000	Audited As at 30 Nov 2023 £'000
Assets				
Property, plant and equipment	8	**10,740**	15,165	13,068
Intangible assets and goodwill	9	**13,216**	13,339	12,827
Deferred tax		**1,954**	2,234	1,847
Derivative financial asset		**-**	578	-
Total non-current assets		**25,910**	31,316	27,742
Inventories		**4,958**	7,522	7,387
Trade and other receivables		**2,233**	2,476	1,996
Derivative financial asset		**-**	240	-
Cash and cash equivalents		**4,574**	4,755	7,600
Total current assets		**11,765**	14,993	16,983
Total assets		**37,675**	46,309	44,725
Liabilities				
Trade and other payables		**(6,754)**	(7,775)	(8,241)
Other interest-bearing loans and borrowings		**-**	-	(203)
Lease liabilities		**(896)**	(746)	(831)
Derivative financial liability		**(96)**	-	(96)
Total current liabilities		**(7,746)**	(8,521)	(9,371)
Net current assets		**4,019**	6,472	7,612
Borrowings		**(18,422)**	(18,408)	(20,496)
Lease liabilities		**(2,129)**	(2,925)	(2,582)
Total non-current liabilities		**(20,551)**	(21,333)	(23,078)
Total liabilities		**(28,297)**	(29,854)	(32,449)
Net assets		**9,378**	16,455	12,276
Equity				
Share capital		**1,078**	1,078	1,078
Other reserves		**14,303**	14,491	14,309
Retained earnings	10	**(6,003)**	886	(3,111)
Equity attributable to owners of the company		**9,378**	16,455	12,276

Consolidated Condensed Statement of Changes in Equity

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
As at 30 November 2022	**1,078**	**14,591**	**3,874**	**19,543**
Loss for the period	**-**		(2,851)	(2,851)
Foreign currency translation	**-**	(100)	**-**	(100)
Total comprehensive loss for the period	**-**	**(100)**	**(2,851)**	**(2,951)**
Transactions with shareholders:				
Share-based payments	-	-	(137)	(137)
As at 31 May 2023	**1,078**	**14,491**	**886**	**16,455**
Loss for the period	-		(2,230)	(2,230)
Foreign currency translation		(182)		(182)
Total comprehensive profit for the period	-	(182)	(2,230)	(2,048)
Transactions with shareholders:				
Share-based payments	-	-	5	**5**
As at 30 November 2023	**1,078**	**14,309**	**(3,111)**	**12,276**
Loss for the period	**-**		(2,892)	(2,892)
Foreign currency translation	**-**	(6)	**-**	(6)
Total comprehensive loss for the period	**-**	**(6)**	**(2,892)**	**(2,898)**
As at 31 May 2024	**1,078**	**14,303**	**(6,003)**	**9,378**

Consolidated Condensed Cash Flow Statement

	Unaudited 6 months ended 31 May 2024 £'000	Unaudited 6 months ended 31 May 2023 £'000	Audited Year ended 30 Nov 2023 £'000
Net cash flow from operating activities			
Loss for the period	**(2,892)**	(2,851)	(6,853)
Adjustments for:			
Finance costs	**1,010**	776	1,877
Income tax expense	**(107)**	(325)	89
Depreciation of property, plant and equipment	**2,362**	2,697	5,943
Impairment of property, plant and equipment	**323**	897	1,463
Amortisation	**1,434**	1,193	2,538
Fair value gain on derivative instruments	**-**	315	1,229
Share-based payments expense	**-**	(137)	(132)
Working capital adjustments			
Decrease in inventories	**2,429**	1,302	1,427
(Increase)/ decrease in trade and other receivables	**(237)**	126	579
Decrease in trade and other payables	**(1,487)**	(1,565)	(1,143)
Net cash from operations	**2,835**	2,428	8,127
Cash flows used in investing activities			
Acquisition of property, plant and equipment	**(314)**	(4,765)	(6,429)
Capitalised development expenditure	**(1,823)**	(2,153)	(4,086)
Net cash used in investing activities	**(2,137)**	(6,918)	(10,515)
Cash flows used in financing activities			
Proceeds from new loan	**-**	3,704	5,954
Interest paid	**(974)**	(656)	(1,668)
Repayment of lease liabilities	**(433)**	(419)	(730)
Interest paid on lease liabilities	**(61)**	(91)	(138)
Repayment of borrowings	**(2,250)**	-	-
Net cash used in finance activities	**(3,718)**	2,538	3,418
Net (decrease)/increase in cash and cash equivalents	**(3,020)**	(1,952)	1,030
Cash and cash equivalents brought forward	**7,600**	6,806	6,806
Exchange losses on cash and cash equivalents	**(6)**	(99)	(236)
Cash and cash equivalents carried forward	**4,574**	4,755	7,600

Notes to the Interim Results

1. General Information

The Directors of musicMagpie plc (the "Company") present their Interim Report and the unaudited Condensed Consolidated Interim Financial Statements for the six months ended 31 May 2024 ("Condensed Consolidated Interim Financial Statements").

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 address is One Stockport Exchange, Railway Road, Stockport, Cheshire, SK1 3SW.

2. Basis of Preparation

The Group's half-yearly financial information, which is unaudited, consolidates the results of musicMagpie plc and its subsidiary undertakings up to 31 May 2024. The Group's accounting reference date is 30 November. The presentational and functional currency of the Group is Sterling. Results in this consolidated financial information have been prepared to the nearest £1,000.

musicMagpie plc and its subsidiary undertakings have not applied IAS 34, Interim Financial Reporting, which is not mandatory for UK AIM listed groups, in the preparation of this half-yearly financial report. The accounting policies used in the preparation of the financial information for the six months ended 31 May 2024 are in accordance with the recognition and measurement criteria of UK adopted International Financial Reporting Standards ('IFRS') and are consistent with those which will be adopted in the annual financial statements for the year ending 30 November 2024. The profit before interest, tax, depreciation, amortisation and share-based payment charge is presented in the statement of total comprehensive income as the Directors consider this performance measure provides a more accurate indication of the underlying performance of the Group and is commonly used by City analysts and investors.

While the financial information included has been prepared in accordance with the recognition and measurement criteria of UK adopted IFRS, these interim financial statements do not contain sufficient information to comply with IFRS. The comparative financial information for the year ended 30 November 2023 has been extracted from the annual financial statements of musicMagpie plc. These interim results for the period ended 31 May 2024, which are not audited, do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information does not therefore include all of the information and disclosures required in the annual financial statements. Full audited accounts of the Group in respect of the year ended 30 November 2023, which received an unqualified audit opinion and did not contain a statement under section 498(2) or (3) of the Companies Act 2006, have been delivered to the Registrar of Companies.

Accounting Policies

The accounting policies adopted in the preparation of the Condensed Consolidated Interim Financial Statements are consistent with those followed in the preparation of the Historical Financial Information. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Their adoption is not expected to have a material effect on the Condensed Consolidated Interim Financial Statements.

Critical accounting judgements and key sources of estimation and uncertainty

The preparation of the Condensed Consolidated Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In preparing these Condensed Consolidated Interim Financial Statements, the key sources of estimation uncertainty and the critical accounting judgements made by management are as follows:

Key sources of estimation uncertainty

The Group makes an estimate of the useful economic life of acquired intangible assets being the proprietary software acquired. When assessing the useful economic life, management considers expected usage of the assets; technical, technological, commercial and other types of obsolescence; changes in the market demand for the products related to the assets; the level of maintenance expenditure required to maintain the assets' operating capability and whether the assets' useful life is dependent on the useful life of other assets of the entity.

Stock provisioning – the Group carries significant amounts of stock against which there are provisions for slow moving lines. The provisioning policies require a degree of judgement and the use of estimates around future sales based on the historical demand for product lines. In addition, management make use of this historical sales data regarding selling price of items in order to ensure that inventories are valued at the lower of cost and net realisable value.

Impairment of assets – in testing for impairment of goodwill and other assets, management have made certain assumptions concerning the future development of the business that are consistent with its forecasts into perpetuity. Should these assumptions regarding the discount rate or growth in the profitability be unfounded then it is possible that investments and other assets included in the balance sheet could be impaired.

Critical accounting judgements

Capitalisation of website and IT development costs – judgement is applied to assess whether the criteria for capitalisation of costs is met.

Going Concern

The Directors have reviewed the Group's forecast and projections, including assumptions concerning capital expenditure and expenditure commitments and their impact on cash flows, and have a reasonable expectation that the group has adequate financial resources to continue in operational existence for at least 12 months from the date of approval of the interim statements. For this reason, they have continued to adopt the going concern basis in preparing the financial statements.

3. Principal Risks and Uncertainties

The Directors consider that the principal risks and uncertainties, which could have a material impact on the Group's performance in the remaining six months of the financial year, remain substantially the same as those stated on pages 33-34 of the Group's Annual Report and Accounts to 30 November 2023, which is available on the Group's website, www.musicmagpieplc.com.

4. Segmental reporting

Information reported to the Group's 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, Media and Books.

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

6 months ended 31 May 2024	**Outright sales**	**Rental**	**Consumer Technology**	**Media and Books**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Revenue	*30,301*	*3,789*	*34,089*	*19,727*	*53,817*
Gross profit	*5,965*	*3,437*	*9,402*	*6.243*	*15,645*
Processing wages	*(1,695)*	*(72)*	*(1,767)*	*(3,033)*	*(4,800)*
Contribution after direct labour	4,270	3,365	7,635	3,210	10,845
Trading margin (%)	*30.6*	*100.0*	*38.3*	80.1	53.6
Gross profit (%)	*19.7*	*90.7*	*27.6*	31.6	29.1

6 months ended 31 May 2023	**Outright sales**	**Rental**	**Consumer Technology**	**Media and Books**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Revenue	*37,061*	*3,993*	*41,054*	*20,875*	*61,929*
Gross profit	7,536	*3,373*	*10,909*	*7,487*	*18,396*
Processing wages	*(2,264)*	*(75)*	*(2,339)*	*(3,352)*	*(5,691)*
Contribution after direct labour	5,272	3,298	8,570	4,135	12,705
Trading margin (%)	31.4	100	**38.1**	82.8	53.2
Gross profit (%)	20.3	84.5	**26.6**	35.9	29.7

12 months ended 30 November 2023

	Consumer Technology			Media and Books	Total
	Outright sales	Rental	Total		
	£'000	£'000	£'000	£'000	£'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 profit (%)	*18.3*	*89.8*	*24.5*	35.2	27.7

5. Revenue

Disaggregation of revenue

An analysis of revenue by geographical location of customer is given below:

	Unaudited 6 months ended 31 May 2024 £'000	Unaudited 6 months ended 31 May 2023 £'000	Audited Year ended 30 Nov 2023 £'000
United Kingdom	***44,097***	*44,259*	99,883
Within the European Community other than United Kingdom	***1,670***	*1,181*	*2,353*
United States of America	***6,700***	*14,746*	*29,585*
Outside the European Community	***1,350***	*1,743*	*4,780*
Total	**53,818**	61,929	136,601

6. Taxation

	Unaudited 6 months ended 31 May 2024 £'000	Unaudited 6 months ended 31 May 2023 £'000	Audited Year ended 30 Nov 2023 £'000
Current tax expense			
Charge for the year	***-***	-	32
Adjustments in respect of previous periods	***-***	-	(5)
Total Current tax expense	**-**	-	27
Deferred tax credit			
Origination and reversal of temporary differences	***(107)***	*(325)*	53
Adjustment in respect of previous periods	***-***	-	9
Total deferred tax (credit)/ charge	**(107)**	(325)	62
Total tax (credit)/ charge in the income statement	**(107)**	(325)	89

UK Corporation tax rate used to calculate the estimated tax due and deferred tax timing differences:	*25%*	25%	25%

7. Earnings per share

	note	**Unaudited 6 months ended 31 May 2024 £'000**	Unaudited 6 months ended 31 May 2023 £'000	Audited Year ended 30 Nov 2023 £'000
Loss for the period		**(2,892)**	*(2,851)*	(6,853)
		Number	*Number*	*Number*
Weighted average number of shares in issue	*1*	*98,612,385*	*98,612,385*	98,612,385
Diluted number of shares	*2*	*101,070,385*	*101,070,385*	101,070,385

	Pence	*Pence*	Pence
Basic loss per share	***(2.9)***	*(2.9)*	(6.8)
Diluted loss per share	***(2.9)***	*(2.9)*	(6.8)

Notes:

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

8. Property, plant and equipment

	Right of use lease asset £'000	Plant and machinery £'000	Fixtures and fittings £'000	Rental assets £'000	Computer and office equipment £'000	Total £'000
Cost						
Balance at 30 November 2022	7,319	2,756	1,900	8,761	1,629	22,365
Additions	-	56	79	5,535	55	5,725
Foreign currency adjustment	(49)	(7)	(7)	-	(3)	(66)
Impairment and returns	-	-	-	(2,304)	-	(2,304)
Balance at 31 May 2023	7,270	2,805	1,972	11,992	1,681	25,720
Additions	53	-	18	2,970	44	3,085
Foreign currency adjustment	(60)	(4)	(7)	-	(3)	(74)
Impairment and returns	-	-	-	(852)		(852)
Disposals	-	-	-	(2,818)		(2,818)
Balance at 30 November 2023	7,263	2,801	1,983	11,292	1,722	25,061
Additions	44	17	45	1,335	12	1,453
Foreign currency adjustment	(2)	-	-	-	-	(2)
Impairment and returns	-	-	-	(2,554)	-	(2,554)
Balance at 31 May 2024	**7,305**	**2,818**	**2,028**	**10,073**	**1,734**	**23,958**
Depreciation						
Balance at 30 November 2022	3,632	364	1,071	2,121	1,182	8,370
Charge for the period	357	219	146	1,853	122	2,697
Foreign currency adjustment	(28)	(4)	(6)		(2)	(40)
Impairment and returns				(472)		(472)
Balance at 31 May 2023	3,961	579	1,211	3,502	1,302	10,555
Charge for the period	439	227	124	2,341	115	3,246
Foreign currency adjustment	(47)	(4)	(5)		(3)	(49)
Impairment and returns	-	-	-	(836)	-	(836)
Disposals	-	-	-	(913)	-	(913)
Balance at 30 November 2023	4,353	802	1,330	4,094	1,414	11,993
Charge for the period	424	208	112	1,522	96	2,362
Foreign currency adjustment	(3)	-	-		-	(3)
Impairment and returns				(1,134)		(1,134)
Balance at 31 May 2024	**4,774**	**1,010**	**1,442**	**4,482**	**1,510**	**13,218**
Net book value						
At 31 May 2024	2,531	1,808	586	5,591	224	10,740
At 30 November 2023	2,910	1,999	653	7,198	308	13,068
At 31 May 2023	3,309	2,226	761	8,490	379	15,165

9. Intangible assets and goodwill

	Good will £'000	Website develop ment £'000	Proprietary software £'000	Domains £'000	Total £'000
Cost					
Balance at 1 December 2022	4,848	9,971	3,000	53	17,872
Additions	-	2,153	-	-	2,153
Balance at 31 May 2023	4,848	12,124	3,000	53	20,025
Additions	-	1,933	-	-	1,933
Balance at 30 November 2023	4,848	14,057	3,000	53	21,958
Additions	-	1,823	-	-	1,823
Balance at 31 May 2024	**4,848**	**15,880**	**3,000**	**53**	**23,781**

	Good will £'000	Website develop ment £'000	Proprietary software £'000	Domains £'000	Total £'000
Amortisation and impairment					
Balance at 1 December 2022	-	3,377	2,082	34	5,493
Charge for the period	-	1,040	150	3	1,193
Balance at 31 May 2023	-	4,417	2,232	37	6,686
Charge for the period	-	1,193	150	2	1,345
Impairment	1,100	-	-	-	1,100
Balance at 30 November 2023	1,100	5,610	2,382	39	9,131
Charge for the period	-	1,281	150	3	1,434
Balance at 31 May 2024	**1,100**	**6,891**	**2,532**	**42**	**10,565**

	Good will £'000	Website develop ment £'000	Proprietary software £'000	Domains £'000	Total £'000
Net book value					
At 31 May 2024	3,748	8,989	468	11	13,216
At 30 November 2023	3,748	8,447	618	14	12,827
At 31 May 2023	4,848	320	768	16	13,339

10. Other Reserves

	Share Premium £'000	Capital Redemption £'000	Merger Reserve £'000	Translation reserve £'000	Total £'000
As at 30 November 2021	**14,449**	**1,108**	**(991)**	**(120)**	**14,446**
Foreign currency translation	**-**	**-**	-	68	68
As at 31 May 2022	**14,449**	**1,108**	**(991)**	**(52)**	**14,514**
Foreign currency translation	-	-	-	77	201
As at 30 November 2022	**14,449**	**1,108**	**(991)**	**25**	**14,591**
Foreign currency translation	**-**	**-**	**-**	(100)	(100)
As at 31 May 2023	**14,449**	**1,108**	**(991)**	**(75)**	**14,491**
Foreign currency translation	**-**	**-**	**-**	(182)	(182)
As at 30 November 2023	**14,449**	**1,108**	**(991)**	**(257)**	**14,309**
Foreign currency translation	**-**	**-**	**-**	**(6)**	**(6)**
As at 31 May 2024	**14,449**	**1,108**	**(991)**	**(263)**	**14,303**

11. Alternative Performance Measures

Management assesses the performance of the Group using a variety of alternative performance measures. In the discussion of the Group's reported operating results, alternative performance measures are presented to provide readers with additional financial information that is regularly reviewed by management. However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such measures are not defined under IFRS and are therefore termed 'non-GAAP' measures and should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

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

Adjusted Profit before tax

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

	Unaudited 6 months ended 31 May 2024 £'000	Unaudited 6 months ended 31 May 2023 £'000	Audited Year ended 30 Nov 2023 £'000
Loss before tax	(2,999)	(3,176)	(6,764)
Equity settled share-based payments	-	(137)	(132)
Other non-underlying items	229	509	2,527
Adjusted Loss before tax	(2,770)	(2,804)	(4,369)

Adjusted EBITDA
Adjusted EBITDA means adjusted profit before tax before depreciation and amortisation of intangible assets and financial expense.

	Unaudited 6 months ended 31 May 2024 £'000	Unaudited 6 months ended 31 May 2023 £'000	Audited Year ended 30 Nov 2023 £'000
Adjusted loss before tax	(2,770)	(2,804)	(4,369)
Depreciation of property, plant and equipment	2,362	2,697	5,943
Impairment of property, plant and equipment	323	897	1,463
Amortisation of intangible assets	1,434	1,193	2,538
Financial expense	1,010	776	946
Adjusted EBITDA	2,359	2,759	7,452

Adjusted Operating Cash flow
Adjusted operating cash flow is calculated as Adjusted EBITDA less movements in working capital.

	Unaudited 6 months ended 31 May 2024 £'000	Unaudited 6 months ended 31 May 2023 £'000	Audited Year ended 30 Nov 2023 £'000
Adjusted EBITDA	*2,359*	*2,759*	7,452
Movements in working capital	*705*	*(137)*	2,103
Adjusted Operating Cash flow	*3,064*	*2,622*	*9,554*

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.

	Unaudited 6 months ended 31 May 2024 £'000	Unaudited 6 months ended 31 May 2023 £'000	Audited Year ended 30 Nov 2023 £'000
Cash generated from operations before tax payments (from Consolidated Cash Flow Statement)	*2,835*	*2,428*	8,127
Other non-underlying items	229	*509*	198
Cash generated from operations before tax payments and exceptional items paid	*3,064*	*2,937*	8,325
Adjusted EBITDA	*2,359*	*2,759*	7,452
Cash conversion %	*129.9%*	*106.5%*	*111.7%*

Net Cash / (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.

	Unaudited 6 months ended 31 May 2024 £'000	Unaudited 6 months ended 31 May 2023 £'000	Audited Year ended 30 Nov 2023 £'000
Cash and cash equivalents	*4,574*	*4,755*	*7,600*
Loans and accrued loan interest	*(18,422)*	*(18,408)*	*(20,699)*
Unamortised loan arrangement fees	*(165)*	*(247)*	*(254)*
External loans	*(18,587)*	*(18,655)*	*(20,953)*
Net debt	*(14,013)*	*(13,900)*	*(13,353)*
Bank reported Net Debt (exc arrangement fees)	*(13,848)*	*(13,653)*	*(£13,099)*