musicMagpie plc

Annual Report and Accounts
Registered number 12977343
Year ended 30 November 2021

[musicMagpie logo]

Smart for you.
Smart for the planet.

Annual Report and Accounts 2021

Who we are

musicMagpie is a leader in the circular economy of consumer technology, disc media and books in the UK and US. Sustainability is at the very heart of our business.

What we do

We buy unwanted items from consumers for a fixed price, paying the same day we receive them. We refurbish them and then sell or rent back to customers, giving the products a 'second-life'. Smart for You. Smart for the Planet.

Founded in 2007, focusing originally on the purchase and re-sale of pre-owned CDs (hence our name), we have successfully pivoted over time to become the UK's leading mobile phone recycler with consumer technology now our dominant product category.

Contents

Overview

1 Who we are
3 Our business explained
4 Timeline

Strategic report

5 Our recommerce proposition
7 Why Invest
9 Our rental service
11 E-waste - we're leading the agenda
13 Our strategy
21 Market review
23 Chair's statement
26 Financial and Operational Highlights
27 Chief Executive Officer's review
31 Our people and culture
35 Stakeholder engagement and S172 statement
37 Financial Review
39 Principal risks & uncertainties
42 Streamlined Energy and Carbon Reporting

Governance

44 Board of Directors
45 Corporate governance statement
49 Audit Committee Report
50 Report of the Remuneration Committee
53 Directors' Report
55 Statement of Director's Responsibilities
56 Independent Auditors' Report

Financial statements

60 Consolidated Statement of Comprehensive Income
61 Consolidated Statement of Financial Position
62 Company Statement of Financial Position
63 Consolidated Statement of Changes in Equity
64 Company Statement of Changes in Equity
65 Consolidated Cash Flow Statement
66 Notes to the Financial Statements

Our business explained

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

Two trusted brands

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

[musicMagpie logo]

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 logo]

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

Three product segments

We buy and sell products across three main segments.

[Icon]

Consumer technology

Smartphones, consoles, tablets, wearables and personal computers.

[Icon]

Books

Hardback and paperback books.

[Icon]

Disc media

CDs, DVDs, Blu-rays and video games.

In addition we rent consumer technology in the UK, an increasingly significant segment for the business.

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.

[Icon]

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').

[Icon]

WARP

Our proprietary sales algorithm (known as 'WARP') enables us to maintain dynamic and competitive pricing whilst enabling effective order management to optimise margins.

[Icon]

WMS

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

Timeline

musicMagpie was founded in 2007 and initially focused on pre-owned CDs, buying from and selling to customers. Today, it is a leader of recommerce in the UK and US in the circular economy of consumer technology, books and disc media.

2007

Founded by Steve Oliver and Walter Gleeson, with an original focus on the recommerce of pre-owned CDs, shortly followed by DVDs and Games
Opened first 'That's Entertainment' retail store in Macclesfield and launched online site

2008

All inventory listed for online sale on Amazon's UK website soon expanding to international sales on Amazon US, France and Germany in 2009

2009

Featured on Martin Lewis' moneysavingexpert.com, soon followed by its first daytime TV advertising campaign

2011

Began listing products for sale on eBay UK, and increased its physical retail presence to 30 stores expanding its sales channels further

2012

Product offering expanded to include consumer technology (smartphones, consoles, tablets and laptops)

2013

Launched its US division trading under the 'decluttr' brand

2015

£6m *investment from* NVM Private Equity, to catalyse growth in consumer technology with the introduction of fast same-day payments to selling customers.

Launched its own UK online sales channel, musicMagpie Store

2016

Launched decluttr Store, its own online sales channel in the US

2017

Moved into new Head Office in Stockport town centre

2018

Closed physical retail stores to focus on being a 'pureplay' online business

2019

Became the first business in the world to achieve 10 million reviews on eBay

2020

Launched the innovative device subscription rental service for smartphones.
Launched new SMARTdrop kiosk in Asda as part of wider sustainability partnership

2021

Listed on the Alternative Investment Market ('AIM') of the London Stock Exchange. Received London Stock Exchange's Green Economy Mark.
Launched 'Magpie Circular' for corporate recycling services, signing up Deloitte as first blue chip client

2022

Expanded subscription rental services to tablets, games consoles, Macbooks, new Apple products and wearables such as smart watches

Our recommerce proposition

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

[Photo – Steve Oliver]

"Since its inception, musicMagpie has had sustainability as a core principle; smart for the consumer and smart for the planet."

Steve Oliver
Chief Executive Officer and Co-Founder

Our recommerce proposition

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.

[Line drawing graphic]

1. Sell your products at fixed valuations on our website or App

[Line drawing graphic]

2. We will organise a free and secure courier or drop off location to collect your product

[Line drawing graphic]

3. Each item is quality checked or graded by our team. For smartphones, we use third-party software to security check, grade and securely wipe all data to ADISA1 Standard

[Line drawing graphic]

4. Once goods are accepted, a payment is made by bank transfer, PayPal, or the value can be donated to charity

[Line drawing graphic]

5. We refurbish consumer technology items and restore disc media to 'like new' standard thereby adding value and enabling us to resell 95% of the products we receive. If we cannot refurbish them the majority of their parts are used to refurbish other products thus fuelling a circular economy

[Line drawing graphic]

6. Products we receive are resold2 through our multiple sales channels. Consumer technology items are sold with a 12-month warranty with a 10pm cut-off next day delivery service offered

[musicMagpie logo at centre of recycling graphic]

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

Why invest

A trusted proposition powered by proprietary technology
Our market-leading trust credentials combined with our investment in proprietary technology create significant barriers to entry.

[Page icon] See Page 17 to 20

ESG and sustainability are at the heart of what we do
Our sustainable model positively contributes to reducing waste and thereby improving the environment.

[Page icon] See Pages 11 to 12

Favourable market dynamics
Increased awareness and consumer acceptance of circular and subscription economies combined with market tailwinds in the refurbished smartphone sector underpin our growth plans.

[Page icon] See Page 21

The rental revolution
Our innovative rental solution is a market disrupter capable of creating sustainable revenue streams and enhanced EBITDA performance.

[Page icon] See Pages 9 to 10

Founder-led management team with successful and experienced Board
A perfect blend of long-standing senior management supported by a stellar Board containing non-executives with significant and successful plc experience.

[Page icon] See Page 44

7.5m

customer registrations worldwide

£325m+

paid out to customers

2m+

unique visitor sessions per month

4m+

mobile app downloads

Oure rental service

Welcome to the rental revolution.

Providing consumers with a more affordable and flexible option than outright purchase – and, in return, provides us with a strategic pivot to transform financial performance.

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

13,000+

active subscriptions

9,000+

SKUs available for rent *

£20

average monthly rental

£1.8m

of revenue in FY2021

£1.9m

forward contracted revenue stream at 30 November 2021

* as at 23 February 2022

Customer proposition

Our rental subscription-based service was launched in October 2020 in the UK, starting with refurbished smartphones on a fixed 12-month contractual term. The range was expanded to include iPads, games consoles and brand-new Apple products during 2021 and now covers over 9,000 technology stock-keeping units (SKUs) on our musicMagpie Store from as little as £8.99 per month.

Under the arrangement, we retain full ownership of the device which is rented to the customer for a monthly rental subscription payment. This reduces upfront costs to the consumer and gives us a new stream of recurring revenue. Consumers are subjected to a full credit check with the first monthly payment taken before the device is dispatched.

At the end of the contractual term, the consumer is provided with three choices:

- return the device and upgrade to a different one;
- extend on the same device for an additional fixed term at a reduced rental; or
- end the contract and return the device to us.

Each of these provide us with the opportunity to generate ongoing revenue from the device.

Accounting for the rental

We recognise revenue straight line on a monthly basis over the duration of the rental agreement. As we retain ownership of the device throughout, the cost of the asset is capitalised in fixed assets and is depreciated over its expected remaining useful economic life. The carrying value is assessed regularly throughout the year to ensure it remains at or below the current purchase offer price for a similar item on our website.

When the device is returned at the end of the contractual term, the net book value of the asset is transferred back into stock and made available for further rental or a firm sale. Should the item be dispatched on a subsequent rental contract, the cost will then be transferred back to fixed assets.

Revenue versus firm sale

The introduction of rentals to the business model is expected to have a short-term compression on headline revenue growth as we move from upfront to monthly revenue recognition. However, we expect to see higher recurring revenues and EBITDA over the life of that device compared to a one-off sale.

As at 30 November 2021, our forward contracted order book on rental contracts is £1.9m.

[Phone image]

[Phone icon]

>80%

Smartphone adoption in the UK

The Subscription Economy Index™ has grown from a base of 100 in Q4 2011 to 437 in Q4 2020, versus the US Retail Sales Index at 132.

* Source (Zuora.com, The Subscription Economy Index™ March 2021).

E-waste – we're leading the agenda

To coincide with the G7 summit in Carbis Bay in June 2021, we commissioned the 'Mount Recyclemore' sculpture made entirely of discarded electronics to highlight the growing global problem.

The campaign garnered worldwide media attention raising awareness with political leaders and consumers alike, and the sculpture has now taken up a year-long residency at the Eden Project in Cornwall.

The problem

According to the UN Global E-waste Monitor 2020, 53 million tonnes of e-waste was generated worldwide in 2019, up 21% in just five years. This is predicted to increase to 74 million tonnes by 2030, making it the world's fastest growing domestic waste stream.

E-waste which isn't recycled can end up in landfill posing all kinds of environmental issues, with toxic chemicals seeping into the earth's soil, water and air. Equally, precious materials contained within the products cannot be reused, forcing the need for more extraction and refinement of primary materials leading to an increase in greenhouse gas emissions.

50m+

tonnes of e-waste being generated every year globally

Only17.4%

of the world's electronic waste is officially collected and recycled

£16.5bn

of unused technology lying around in UK households alone

65kg

Every technology device recycled saves c.65kg of CO2

How we're responding

- During the year, we gave a 'second-life' to over 400,000 technology products (as well as 2,500 tonnes of our legacy categories of disc media and books).
- 95% of the products we buy from consumers are resold and we use the parts from the remaining 5% to refurbish other items.

When we listed, we were awarded the London Stock Exchange's Green Economy Mark, in recognition of our total annual revenue from products and services that contribute to the global 'Green Economy'.

Benefits of reuse

During 2021, our UK media and tech customers along with our trade partners have helped to save over 50,000 tonnes of CO2 by selling to us and buying from us.

[Icon]

14.7m

Media Units
@ 2kg per unit

[Icon]

400k

Tech Units
@ 65kg per unit

[Icon]

50,000

tonnes of CO2

[Icon]

Heating

18,226

homes for a year

[Icon]

30,006

flights
From LHR to JKF

Our strategy

We are contributing to tackling the problem of e-waste, growing our business and shareholder value by:

Buying More, Selling More & Renting More

Powered by the TRUST and TECHNOLOGY that we have built and continue to build in the business, which together provide significant barriers to entry.

[Icon]

Buy More, Sell More, Rent More.

To be trusted is critically important in our industry, given the nature of what we do.

We focus on being transparent, fast and easy for consumers to transact with. This engenders trust, which creates a barrier to entry and leads to loyalty and repeat business. We are proud to have been the recipient of numerous industry awards including the Best Recycling Service from What Mobile for the last six consecutive years.

"From our Tech Price Promise and Same Day Payment when selling to us through to our robust quality check and 12-month warranty when buying from us, we do everything that we can to promote trust in musicMagpie."

Steve Oliver

Chief Executive Officer and Co-Founder

[Photo – Steve Oliver]

215,000+

customer reviews on Trustpilot with an overall rating of 4.6

World's #1

seller on eBay and Amazon based on highest number of seller reviews (over 10 million globally on each)

99.4%*

positive feedback score on eBay UK

7.5 million

customer registrations worldwide

* as at 22 February 2022

[Down arrow]

Trust matters

- 12-month warranty
- Certified refurbishment

Trust runs throughout the consumer technology journey

Multi-point diagnostic check
We perform a full testing programme on all items purchased, comparing them to the condition specified by the customer. We use a third-party software platform to undertake diagnostics on smartphones covering everything from battery life to touchscreen performance.

Checking authenticity
We check every device received against the National CheckMEND Register. This is a system that searches global databases containing billions of serial numbered items to ensure that electronic goods are authentic when being bought or sold, and to identify phones that have been lost, stolen, blocked or barred with a 'red flag'.

Tech price promise
Should the item not match the condition specified, a revised offer together with a justification for the revised offer will be made to the selling customer who has 14 days to accept or decline. Should they decline, the item will be returned free of charge under our 'Tech Price Promise'.

Fast payments
We process items on the day that we receive them, with cash received in the customer's bank account on the same or next working day.

Data wiping
In addition to testing the device, the third-party software wipes the device's data to an Asset Disposal and Information Security Alliance ('ADISA') standard enabling us to certify this to either selling or purchasing customers. We also restore factory settings before resale.

Repair and refurbishment
Our testing process ensures the fast tracking of devices with faults to the Group's repair and refurbishment team where our experienced technicians can perform battery and component replacement as well as screen and board level repair.

12-month warranty and return policy
We offer a 14-day return policy on all sales, as well as a 12-month warranty on all technology items sold equivalent to the level of protection a consumer would get when buying new products.

[Image]

"We perform a full testing programme on all items purchased, comparing them to the condition specified by the customer."

We are trusted

[Trustpilot logo]

'Excellent' Trustpilot rating with over 220k reviews

[What Mobile logo]

Best Recycling Service at the What Mobile Awards for the last six years running

[ebay amazon logo]

Largest seller on both eBay and Amazon in the world – over 10 million reviews on both platforms

[Apple logo]

Approved Apple partner

[Mobile Industry Awards 2019 logo]

Mobile Industry Awards' Best Recycling Service two years running

[ASDA logo]

Asda Sustainability Partner

Buy More, Sell More, Rent More.

Our technology is scalable, fast and formidable.

Our technology platform has been built over 14 years with a high level of customisation providing dynamic buying and selling functionality to optimise margin and manage inventory. The fundamentals of the technology provide high barriers to entry combined with flexibility and scalability to enable future product and geographical expansion.

[Icons]

Delivering on our strategy.

Case study

Smartdrop kiosk

Our SMARTdrop kiosk enables consumers to sell mobile phones to us in an even faster and easier way. Our technology enables phones to be assessed in the kiosk with payments made to the customer's bank account in minutes. Over £1.5m has been paid out through this technology, and 2022 will see our footprint grow from 25 to 295 locations in our chosen retail partner, Asda.

[Kiosk image]

Our highly skilled and empowered development teams continually focus on platform and technology modernisation.

Our technology

Our highly skilled and empowered development teams continually focus on platform and technology modernisation. Customer needs and outcomes, as well as the fiscal benefit to the Company, are the permanent backdrop of all changes made.

We have a learn-fast innovation culture with routine testing of prototypes before they are released to the entire customer base using tools such as Conversion Rate Optimisation and A/B testing.

Our technology platform is organised in layers, leveraging a combination of proprietary IP and third-party software via connected applications.

Channel layer

The channel layer represents our direct customer acquisition points ranging from digital, such as our websites and sales channel platforms, to physical such as our SMARTdrop Kiosks.

Commercial advantage layer

This houses our proprietary technology dominated by our ALIVE and WARP systems which are hugely powerful and scalable.

[Icon]

ALIVE

Our buying software, 'ALIVE', is an algorithm-based engine that constantly checks pricing and stock holdings to decide whether to purchase an item offered by the selling customer and, if so, calculates a live offer price. 'ALIVE' has a database of over ten years of transactions, and 2.5m stock item barcodes, model numbers and product types. This enables the calculation of an instant 'live' valuation whilst also maximising margins.

[Icon]

WARP

Once items are received, paid for and refurbished, they are then passed to our selling software, 'WARP', which optimises each item's sale price, performing inventory management and simultaneously listing items across multiple online sales channels.

Commodity layer

This contains business systems which provide our data for analytics and reporting to track progress and make agile changes to pricing and marketing.

We have built a state-of-the-art Data Warehouse to provide a single customer view across Buy and Sell activities. This provides opportunities for the use of artificial intelligence ('AI') for data enrichment to deliver personalisation, product recommendations and basket add-ons through omni-channel marketing, putting the customer experience first.

Back office layer

This incorporates our in-house built warehouse management system ('WMS') with customised applications for goods in and out, product sorting, stock and order management, as well as shared IT systems including HR and Finance.

Interfaces and infrastructure

The layers are complemented by well-established end-to-end interfaces to third parties for our content management system ('CMS'), data and personalisation, site analytics, content, elastic search and product pricing insights.

We presently operate in a co-located infrastructure with physical and virtual servers in a modern virtual environment. We have plans in place to move to a platform-as-a-service solution on Microsoft Azure, which will bring cost and continuity benefits.

Cyber security and data protection

We have embedded cyber security policies and procedures into our business to create a security first culture.

Our Information Security compliance work programmes include Payment Card Industry Data Security Standard ('PCI DSS'), GDPR, ISO 27001, Cyber Security Essentials and Insider Threat. Existing policies and processes are assessed and designed with monitoring, governance and controls rolling out Protect, Detect, Deter, Respond and Recover against a short, medium and long-term plan.

[Icon]

14 years

evolving our technology platform

The architecture of the tech stack (Microsoft engineering, API layered architecture)

[Text from Diagram]

Mode 1 - Agile and flexible

Mode 2 – long life cycle

[Icon]

ALIVE – Buying

[Icon]

WARP – Selling

Channel layer
Customer layer, direct customer interaction points and ranges from digital to physical. Examples include e-Commerce technology and Kiosk.

Commercial advantage layer

Conceptual architectural layer used to group proprietary capabilities. Examples include ALIVE and WRAP.

Commodity layer
Contains business systems of record. Larger applications with longer life cycles that can be bought or built. Examples include Exponea, Azure Data Factory and UmbracoCMS.

Back office layer
Order/fulfilment, stack & sorters, Warehouse Management Systems ('WMS'), Business and IT shared systems including HR and Finance.

End-to-end established interfaces
Customer data

Activity base

Pricing & yield

Search

Content

Merchandise

Buying and selling

Customer

Email

Manage order

Market review

The market landscape

[SDG Icon 12]

Market dynamics for the circular economy, supported by consumer and market trends, create significant future growth potential.

[Icons]

Global circular economy market worth $24 billion expected to rise to

$51bn

by 2023 as consumers become increasingly aware of their impact on the environment and so seek to make more sustainable choices*

Macro factors

Responsible consumption and production

Ensuring responsible consumption and production patterns is central in the move towards low-carbon economies as recognised in the 17 UN Sustainable Development Goals.

Transitioning to a circular economy

A need to rapidly shift to a system that no longer focuses on take-make-dispose but reconsiders the way we design, make and use things to keep materials in circulation.

Conscious consumerism

Consumers are increasingly aware of the environmental and social impact of the goods and services they buy. This is leading to a focus on companies' ESG credentials and the ability to recycle and reuse items.

The subscription economy

We are starting to see a shift away from the traditional product ownership model towards a subscription focused economy.

Sector specific factors

Our increasing activity in the resale of pre-owned smartphones is further facilitated by the following market tailwinds:

Significant latent supply of second-hand consumer technology

Of the approximately 27m smartphones replaced in the UK each year, it is estimated that only 29% are resold with an estimated cumulative 40m units left at home in drawers.

De-coupling of smartphone handsets from contracts

Consumers are increasingly unbundling the airtime from the phone purchase taking advantage of SIM-only deals and family bundles.

Inflating prices for consumer technology

Increasing second-hand values, acceptance and attractiveness of the proposition, where customers are unable to afford a brand-new item, particularly in more challenging economic times.

Introduction of 5G to smartphones

The launch of 5G and the innovation that it can bring provides a stimulus for trade in trade up activity.

[Icons]

£9bn

combined market for pre-owned consumer technology, disc media and books across the UK and US*

[Icons]

£4.5bn

pre-owned consumer technology market expected to grow in excess of 10% per annum*

* Source: Independent third-party research commissioned by the Group in 2020.

Chair's statement

Magpies care about each other, our customers, our communities and the environment.

Martin Hellawell
Non-Executive Chair

[Photo – Martin Hellawell]

"I have had the privilege of chairing musicMagpie since the lead up to the Company's IPO in April 2021 and am pleased to provide my first Chair statement for this inaugural plc Annual Report."

Highlights of the year

- The IPO: The Company was delighted to successfully float on the AIM market. We have an excellent shareholder register with whom we continue to build strong relationships.
- Progress on strategic initiatives: Significant progress was made with the rental programme, the kiosk programme, corporate recycling and smart use of data, to name but a few.
- The results: Despite the potential distraction of the IPO and the business normalisation following the first full year of the pandemic, the Company hit the Board's expectations for revenue of £145.5m and EBITDA of £12.2m.

The position at musicMagpie attracted me for several reasons:

- The quality, passion, sincerity and humility of the CEO and co-founder Steve Oliver and his outstanding team.
- The size of the myriad of opportunities that the Company enjoys, coupled with its ambition.
- The business's activity and how this directly contributes to a better environment and societal benefits.

I am very excited by the future prospects of musicMagpie. The Company is awash with opportunities in its simple quest to 'buy more, sell more and rent more'. The launch of the programme to rent refurbished mobile phones has been particularly successful and will be an area of significant focus for the business.

The Board

Before the IPO I was delighted to be joined on the Board by Alison Littley as Senior Independent Director and Chair of the Remuneration Committee, and by Dave Wilson as Non-Executive Director and Chair of the Audit Committee. Their skills, expertise and experience from other public companies have been invaluable in helping the Board bed down as a company and quickly establish best practice plc governance.

We were delighted to announce the appointment of Matthew Fowler as CFO who will become a Board member in our second quarter. Matthew joins with excellent experience of public markets. This follows Ian Storey's move to the Chief Operating Officer position. Ian is an outstanding individual and business leader and I very much look forward to seeing his wider impact on the business as COO.

Sustainability, community, diversity and employee welfare

Sustainability is at the very core of musicMagpie's activities both in terms of what we do and how we do it and is something we care passionately about. We are aligning with best practice disclosure, reporting and respected initiatives in this area. One stand-out activity was the 'Mount Recyclemore' sculpture made from recycled materials, bringing increased awareness to the growing problem of e-waste. It was viewed by thousands at the G7 summit, the Stockport Exchange plaza and afterwards at the Eden Project, and generated terrific traditional and social media coverage.

I have been very impressed by the Company's active role in the wider community. It is committed to helping those in need through a large variety of charitable and volunteering activities. There is a fantastic level of colleague participation, and the Board is fully behind such initiatives.

The promotion of diversity in the many senses of the word was enshrined in the Company's culture long before the arrival of the plc Board. The Board will look to encourage further initiatives and progress in this area as well as the formalisation of programmes and reporting.

In terms of employee welfare, again I am extremely impressed by what I have found. This is a business that understands the importance of its employees, and regardless of financial outcomes doing the right thing by the employees of the Company is part of musicMagpie's core beliefs. As has been the case for most businesses, the Covid-19 pandemic has brought many challenges and the health, safety and wellbeing of colleagues have always been the Company's first priority.

Thank you

I would like to take this opportunity to thank our employees for their excellent work and camaraderie in challenging circumstances, to thank our customers for using us, for their feedback and trust, and to thank our new and existing shareholders for their support and encouragement.

I am delighted to be part of this business and am very excited by the Company's future potential.

Martin Hellawell
Chair

1 March 2022

"I am very excited by the future prospects of musicMagpie."

Martin Hellawell
Non-Executive Chair

Financial and Operational Highlights

[Icon]

Financial

Revenue £m

145.5m

[Graph]

2021: 145.5

2020: 153.4
2019: 131.5

Rental Income £m

1.8m

[Graph]

2021: 1.8

2020: 0
2019 n/a

Forward contracted rental income £m

1.9m

[Graph]

2021: 1.9

2020: 0.1
2019 n/a

Gross Profit £m

44.3m

[Graph]

2021: 44.3

2020: 44.8
2019: 30.4

Adjusted EBITDA £m*

12.2m

[Graph]

2021: 12.2

2020: 13.9
2019: 4.6

Adjusted EPS*

7.33p

[Graph]

2021: 7.33

2020: 8.56
2019 n/a

[Icon]

Operational

Rental service

- Strong progress from our innovative device rental subscription service saw active subscribers grow to 13,500 and product extensions introduced.

SMARTdrop Kiosk(s)

- Over 5,300 devices traded paying out over £1.5m to consumer's.

Corporate recycling

- Launch of our corporate technology recycling service for businesses looking to increase their sustainability efforts.
- New Apple products made available for sale and rent on musicMagpie Store.
- The creation of 'Mount Recyclemore' highlighting the problem of e-waste.
- Continued robustness of our legacy product categories of Disc Media and Books.
- Successful delivery of Initial Public Offering combined with the award of the LSE's Green Economy Mark.

Chief Executive Officer's review

"Good business practice is to constantly look to disrupt yourself and move forward."

Steve Oliver

Chief Executive Officer and Co-Founder

[Photo – Steve Oliver]

"This has been a landmark year in the history of musicMagpie, and I am hugely proud of everything that we have achieved. We have delivered strong financial, operational and strategic progress in our first year as a listed company and have done so while staying true to our clear environmental and social focus and our long-standing 'smart for you, smart for the planet' ethos."

I would like to thank each and every one of my Magpie colleagues for their unswerving loyalty, dedication and professionalism. It is their hard work, creativity and innovation that drives our business, and it has been humbling to witness their resilience and adaptability in changing their ways of working during the Covid-19 pandemic.

The transaction represented a big step forward for everyone connected with musicMagpie, and we were delighted with the strong support that we received – and continue to receive – from high-quality institutional investors. The listing reflects not only the success that we have enjoyed to date but also our confidence in our ability to capitalise on the favourable long-term trends that continue to underpin our performance.

It was particularly gratifying to receive the LSE's Green Economy Mark as part of the IPO process. It is a ringing endorsement of our outstanding ESG credentials, as it recognises companies that derive 50% or more of their total annual revenue from products and services that contribute to the global 'Green Economy'. In our case, we very comfortably exceed the 50% threshold given the intrinsically sustainable and circular nature of our business model.

A clear strategic growth plan: 'buy more, sell more, rent more'

Operating through our two trusted brands – musicMagpie in the UK and decluttr in the US – our core strategy is simple: to provide consumers with a smart, trusted and sustainable way to buy, rent and sell refurbished consumer technology and physical media products. The market for pre-owned consumer technology and physical media is worth approximately £9 billion in the UK and US, and is supported by a number of positive tailwinds.

We see a huge opportunity for musicMagpie to accelerate its growth by adopting a simple three-pillared strategic approach to 'buy more, sell more, rent more':

1. 'Buy *more*':

In order to be in a position to rent and sell products to our customers, we need to have a continual stream of high-quality products coming into our ecosystem; increasing the number of entry points for products into the musicMagpie circle is therefore a key priority. In addition to making it as easy as possible for consumers to sell their unwanted products directly to us, we also have a number of strategic initiatives underway for which we see huge potential:

- Our SMARTdrop Kiosk offering, which launched in November 2020, is being successfully rolled out across the Asda network and will be in nearly 300 stores in 2022. So far, approximately 5,300 smartphones have been traded in through the kiosks, paying out over £1.5m to customers. The kiosks also form a key component of the wider sustainability partnership that the Group has recently launched with Asda, as announced in September 2021.
- In February 2021, we launched a corporate technology recycling service for businesses looking to increase their sustainability efforts. The service allows businesses to recycle their unwanted company smartphones and tablets to musicMagpie for cash, which can then either go back into their business, fund upgrades, be used to reward colleagues, or even be donated to a charity of the company's choosing. The service also has the benefit of ensuring that all data is erased safely and securely. It has already been used by a number of high-profile global businesses, and contracts have recently been signed with both Deloitte and Zurich.

2. 'Sell *more*':

All of the above initiatives are enabling us to sell more – and higher quality – products through musicMagpie in the UK and decluttr in the US. In addition, we have a number of projects underway to make the customer experience even better when it comes to their buying journey with us:

- Personalising the customer experience by using our customer data more effectively and powerfully.
- Making our musicMagpie and decluttr online stores 'best in class', using consumer research and insight to enhance our product development in areas such as check-out, basket, search, merchandising, and 'my account'.
- *Expanding our sales channels and ensuring that maximum distribution of product is achieved.*
- Bringing accessories and other high margin 'peripheral' products to the fore of our offering.
- Launching new Apple products for sale on the musicMagpie Store in the UK in July, with a rental offering following in November 2021.

"We see a huge opportunity for musicMagpie to accelerate its growth by adopting a simple three-pillared strategic approach to 'buy more, sell more, rent more'."

Steve Oliver

Chief Executive Officer

[Images]

3. 'Rent more:

In October 2020 we launched an innovative smartphone rental subscription service in the UK. It provides customers with a more affordable and flexible option than an outright purchase or a pay-monthly contract with a mobile network, and we are hugely excited about its future growth prospects.

It has made strong progress since its launch, and its growing popularity with consumers means that, as at 30 November 2021, the service now has c.13,500 active paying subscribers, including our first cohort of subscription renewals. This has already made a positive contribution to Group margins in FY21, and creates the potential to earn higher recurring revenues and EBITDA over the life of a device as opposed to a one-off sale.

Given its attractive financial profile and the strong momentum that we are already seeing in this area, maximising and scaling our rental business is a major point of focus for us in the coming year. Initiatives that are underway include:

- expanding into other product categories, such as iPads, games consoles, MacBooks and wearables;
- marketing/PR campaigns to drive consumer awareness of the uniqueness of the rental offer;
- making new Apple products available to rent, and raising their visibility both through their positioning on the site and via external communications; and
- extending the service to corporate customers.

Sustainability at its heart

Since the inception of musicMagpie in 2007, the Group has had circularity at its heart. We are absolutely committed to the protection of the environment; the prevention of pollution; continual environmental improvement throughout the life cycle of our products, services and business operations; and compliance with all legal and other environmental policy requirements.

In particular, given its relevance to our business model, we are committed to raising awareness of the growing problem of e-waste. For example, in June we created the 'Mount Recyclemore' sculpture in partnership with the artist Joe Rush. The giant Mount Rushmore-style sculpture of the G7 leaders' heads, made entirely of discarded electronics, appeared on a beach near Carbis Bay during the G7 summit to coincide with discussions around how to tackle climate change and build a greener future. It was devised following musicMagpie-commissioned research showing that the G7 nations alone produce almost 15.9m tonnes of e-waste a year, with the US (6.9m), Japan (2.6m), Germany (1.6m) and UK (1.6m) being the worst offenders.

The Mount Recyclemore activity was exceptionally well received, and as part of the campaign we partnered with global waste management charity WasteAid. Throughout June, sellers had the option to donate the value offered by the Group to the charity whilst musicMagpie gave the charity £1 for each piece of consumer tech customers traded in with the Group.

More broadly, we have a range of sustainability measures in place to improve our own efforts even further. These include mitigating our carbon footprint, limiting our waste, and engaging with colleagues, customers, suppliers and local communities to educate and work in close collaboration with them.

Putting our people first

We are hugely proud to have a culture of integrity, honesty, trust and respect in everything that we do. We have a clear set of 'Magpie Values' that underpin our behaviour, which are best summarised as 'Magpies care' and 'Magpies make a difference'. That philosophy encompasses the way in which we treat our customers, our colleagues, our local communities and the environment around us.

We are committed to promoting diversity in all its forms, and to attracting, developing and retaining the best possible talent to work in an environment in which individual differences are embraced. We are continually seeking feedback from employees across all areas and levels of the business, and use it to drive improvements in the ways in which our colleagues are rewarded, motivated and nurtured.

A bright future

These are uncertain times for the global economy, and the challenges for employers and businesses operating in the current environment are well documented. While we are by no means immune from such headwinds, musicMagpie is positioned in the value-led sector and is well placed in the event of economic uncertainty as consumers seek ways both to save money and generate income. The Covid-19 pandemic has accelerated the ongoing consumer shift from traditional high street locations to online channels, and we are confident that these changes are structural and permanent.

As a result, we are seeing strong and growing demand for our unique circular economy model, as consumers continue to realise the benefits of buying and renting refurbished consumer technology products. In addition, there is a growing awareness of the rising problem of e-waste, as illustrated by the fantastic international reaction to our 'Mount Recyclemore' sculpture.

These trends, combined with the strategic growth initiatives that we have underway – and particularly our hugely exciting mobile phone rental subscription service – mean that we continue to be extremely confident in the future prospects of musicMagpie.

Steve Oliver

Chief Executive Officer and Co-Founder

1 March 2022

[Image]

Our people & culture

Committed to making a difference.

The Five Magpie Values

Magpies care

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

[Icon]

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 a 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.

[Icon]

The Magpie Values

Our five Magpie Values were developed through focus group sessions with a cross section of colleagues and were very much based on an alignment with colleagues' personal values.

They articulate our over-arching culture and are the common values that bind us, regardless of any differences. These values are embedded in all aspects of recruitment, performance, and development to attract, retain, and provide career development opportunities alongside curating a positive and productive working environment to support business growth.

[Image – InTheLoop]

Communication and Engagement

We deem communication and engagement across all levels throughout the business as essential to achieving our strategic and operational goals.

We ensure that communications are open, honest, and timely, driving involvement and improved knowledge, and fostering ownership and belonging. Regular communications include a monthly CEO-led Company-wide video call to update on business progress, strategic objectives, people news and to celebrate successes; alongside in the Summer of 2021 the launch of the first edition of our Group newsletter – 'In the Loop'.

We pride ourselves on promoting a feedback culture across the business. We want to ensure that all colleagues can have their say, are engaged and able to contribute their experiences, expertise and ideas to support improvements at work.

During the year, an 'always on' feedback mechanism was launched, 'The Feedback Loop', whereby colleagues can give feedback on every aspect of life working at musicMagpie and decluttr. Input can be given anonymously; however, we encourage names to be stated where colleagues are making suggestions for improvements to enable us to recognise these where appropriate. This, along with the launch in early 2022 of a specific colleague consultation and engagement forum entitled 'Loop Together', enables key themes and ideas to be fed into the senior leadership team to enable changes and further improvements to be considered.

There was no formal full engagement survey undertaken during FY2021, as we focused more on regular wellbeing feedback surveys due to the pandemic and taking action accordingly. A full survey will be conducted in FY2022.

Performance and Development

Our aim is to create a high-performance culture of continuous improvement based on individual and collaborative performance linked to business objectives. Managers are encouraged to conduct regular individual reviews, using an Objectives and Key Results approach to keeping performance on track, driving a culture of continuous review, and 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.

During the year, we have focused on talent assessment and succession planning to enable us to ensure that individual and collective development needs are fed into our bespoke Management Development, Leadership Development and Mentoring programmes to be launched in FY2022. These programmes formalise our commitment to providing colleagues with the skills required to be the best managers and leaders they can be. The effectiveness of these programmes will be measured by way of 360° feedback at the outset, and at the end of the programme, as well as during quarterly talent assessment reviews with senior managers.

"Our Values articulate our over-arching culture and are the common values that bind us, regardless of any differences."

Steve Oliver

Chief Executive Officer

[Image]

We implemented a revised performance improvement policy during the year, with all operational managers having undergone training sessions in relation to managing performance. We continue to promote the use of structured apprenticeship programmes, and currently have several colleagues undertaking apprenticeships to develop their skills.

Reward

We are committed to rewarding and recognising excellent contribution, and alignment to the Magpie Values, ensuring that reward structures are competitive to retain and attract talent.

The IPO saw us launch our Sharesave scheme, giving all colleagues the opportunity to save to purchase musicMagpie shares at a fixed option price in three years' time. Participation has been positive, and we intend to open enrolment for new entrants to the scheme each year.

More than a third of the total workforce is eligible to participate in the annual bonus scheme, with awards being based on achievement of financial and individual performance. For colleagues in our operational and support teams who are not part of the annual bonus scheme, ad-hoc rewards are made from time to time to reward performance, engage, and say thank you. 2022 will see the introduction of a reward platform to formalise the award of these ad-hoc incentives.

Wellbeing

Representative of our value of 'care', colleague wellbeing and ensuring the health and happiness of our colleagues at work is important to us.

Throughout the Covid-19 pandemic, the wellbeing and safety of our colleagues has been at the forefront of everything. We have taken the utmost care to implement relevant and appropriate measures to ensure this, whether our team members are on site or working from home.

All office colleagues were safely working at home within three or four days of the 'work from home' directives being issued, whilst significant emphasis was put on the safety of our operational colleagues. To provide adequate space within our facilities, shift patterns were altered, workspaces re-configured, canteens reorganised, and breaks staggered with free catering being provided for several months. We also introduced an on-site testing provision to reassure colleagues. These measures have been reviewed frequently in line with changing Government guidance and colleagues have been regularly consulted on how they have been feeling about working during the pandemic and on the measures and actions taken.

For our non-operational colleagues, a 'quiet hour' was implemented to ensure our people are taking some time in the day to reflect and focus, free from meetings and calls. We have actively promoted wellbeing activities, providing online physio sessions, suggesting 'walking and talking' calls and taking some time away from the home workspace.

There has been a significant focus on promoting positive mental health amongst all colleagues, with 12 of our colleagues undergoing the Mental Health England accredited training to become Mental Health First Aiders ('MHFAs') during the year. Follow up refresher sessions have been held with these MHFAs and all colleagues have been made aware of the purpose of the MHFA role and how to reach out for support if required. We have continued to promote use of our Employee Assistance Programme where we have engaged an independent third-party organisation to provide a free and confidential 24/7 counselling and advice service. The service is available to all colleagues and members of their immediate family and covers not just workplace issues but concerns in their personal lives also.

As we reflect on ways of working during the pandemic, and look to the future, to promote our culture, collaborate, communicate effectively, coach and develop our team we are better together, and we are considering ways to embrace flexibility and promote hybrid working whilst encouraging teams to work together physically for key activities.

[Image]

[Icons]

[Icon]

FY2021 gender split
All colleagues

39% Female
61% Male
[Pie chart]

Senior Leadership Team

25% Female
75% Male
[Pie chart]

Bringing new talent into Magpie

The situation with Covid-19 has presented challenges in the introduction of new talent to the business. In response to the inability to bring candidates on site for interviews and introductions, we have recorded virtual tours of the office to play during the recruitment process, a 'welcome' video message from the CEO and made significant improvements to our induction and onboarding processes and content. Our Magpie Values are embedded within the talent acquisition process, with equal emphasis being placed on whether a candidate is a 'Magpie' as whether they have the relevant skills for the role.

All new starters have a structured induction plan, are invited to informal 'Magpies Chatter' video calls in the first few weeks with the business to meet key colleagues outside of their own area, complete an onboarding survey at the end of week two, and again at the end of week four. Our Talent Acquisition Manager also has regular check-in calls with each new starter during their probation period, allowing us to take quick action in response to any potential teething problems.

Diversity and Inclusion

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. In addition to our continued focus to improve gender diversity, we have taken steps to become a more diverse and inclusive business with the introduction of an employee-led diversity and inclusion group – 'DANDI'.

The initial phase has been to benchmark our current position by consulting with colleagues on how diverse and inclusive they feel we are as a business in different areas such as opportunities for progression, training and development and reward and recognition. We then moved into a phase of raising awareness around protected characteristics, encouraging all colleagues to share experiences and knowledge with others. 2022 will see us work on further diagnostics to inform our DANDI strategy and the delivery of appropriate training sessions to all colleagues.

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

Charity and community

We care about each other, our customers, our communities and the environment. During the pandemic, we have actively sought ways to help, donating books to children's charities, iPads and phones to Covid patients in hospitals, and £200,000 to the NHS Charities Together charity.

This year, we have continued our partnership with City in the Community to support their programmes focusing on improved mental wellbeing in young people and sporting activities with disadvantaged people in Greater Manchester. We have also once again given over an area of our warehouse to Cash for Kids to use as their HQ for their Mission Christmas campaign, which saw the charity collecting, processing and delivering gifts to over 35,000 disadvantaged children this Christmas.

Our colleagues have been involved in a number of charity events; a team of 15 colleagues – the 'Wheelie Magpies' – collectively cycled over 2,000 miles in eight days raising over £10,000 for Smart Works. This is a charity which provides practical and emotional support to unemployed women to help them back into the workplace. In the summer, ten teams of six Magpies walked 10,000 steps each day for six days to raise over £5,000 for the British Heart Foundation as part of their 60th birthday 'Team 60' challenge, clocking up a huge 4.5m steps over the six days.

FY2021 also saw us launch payroll giving with the Charities Trust, enabling all colleagues to donate to charity through their pay. We also introduced our volunteering programme allowing colleagues two paid days a year to volunteer for a charity or take part in a charitable event. We have facilitated two events through our partnership with Walking With the Wounded, a charity which supports disadvantaged veterans to re-integrate back into society and sustain their independence, with a number of colleagues joining veterans and colleagues from other local businesses to plant trees in the local area as part of their 'OP-REGEN Mission Green' programme.

As part of this year's colleague Objectives and Key Results reviews, we have asked them to include an individual or team sustainability commitment, progress against which will be reviewed throughout the year and celebrated across the Group.

"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."

Stakeholder engagement & S172 statement

The Board understands the importance of engagement with the Group's key stakeholders and their interests, and the matters set out in Section 172 (1)(a)-(f) of the Companies Act 2006 have been considered in Board discussions and decision-making. We have identified our key stakeholders as follows.

[Icon]

Colleagues

[Icon]

Customers

[Icon]

Investors

[Icon]

Communities

[Icon]

Environment

[Icon]

Suppliers

[Icon]

Colleagues

Our colleagues, or as we call ourselves, Magpies, play a crucial role in the success of our business and we are constantly challenging the status quo in terms of how we can improve colleague benefits, engagement, training and development, the workplace environment and company communication.

Evidence of this can be seen through the deployment of our Magpie Values (see page 31). These are embedded in all aspects of recruitment, performance and development to attract, retain and provide career development opportunities that support business growth, our strong employee culture and the nurturing of our workplace environment.

Throughout the pandemic we have taken the utmost care to implement relevant and appropriate measures to ensure the safety and wellbeing of all our colleagues, both those working at one of our sites, and those working from home. We acted quickly and diligently at the start of the pandemic to get all our support colleagues working from home within 48 hours and swiftly put measures in place to protect operational colleagues. We have reviewed these measures frequently in line with changing Government guidance and colleagues have been regularly consulted on how they have been feeling about working during the pandemic and on the measures and actions taken to ensure their safety and welfare.

[Icon]

Customers

Maintaining a high degree of customer experience is paramount to our business and something which we continuously look to improve by making both the sell and trade-in experience as seamless as possible. We strive to build strong lasting relationships with all of our customers.

Communicating with them and fully understanding their goals and needs is vital to us continuing to grow. We view every single customer contact as a learning opportunity, with each of those contacts building a continuous picture of the overall customer experience.

On top of customer support contacts, we proactively engage with our customers through surveys, feedback and other research, analysing their feedback to inform developments and projects.

To analyse this we have various scores, including Trustpilot CSAT, theme and sentiment analysis and emotional ratings which we consolidate as much as possible to provide a headline view of the customer's perception of the service.

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

Steve Oliver
Chief Executive Officer

[Icon]

Investors

Our IPO enabled us to build a strong shareholder base and we are grateful to them for the support they have shown our business. In return, we are committed to having open channels of communication to ensure investors feel they are fully informed as to progress and value creation in the Company.

The CEO and COO met with all of our major investors and analysts during the IPO roadshow and subsequently following our half-year results in July 2021. Due to the Covid-19 pandemic, this was largely done virtually and we look forward, restrictions allowing, to being able to interact more in person to further foster relationships as well as introducing our new CFO in 2022.

The feedback obtained from interactions with investors, brokers and analysts has been routinely collated, shared and discussed with the Board to assist with the development of our strategy.

[Icon]

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. The positive impact our service and products can have on the global community and environment are at the very core of our business.

Senior leadership attend forums on environmental, social and governance topics and best practice, and attend presentations from external subject matter experts on topics such as carbon reduction.

We have increased focus on key environmental goals, including waste reduction, offsetting carbon omissions and energy efficiency and will update these areas in future reports.

[Icon]

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. Our Tech Price Promise and Fast Same Day Payments and commitments demonstrate our undertakings and are important in building trust with our supplier base.

Outside of our consumer product suppliers, relationships with partners such as the sales platforms of eBay and Amazon, logistics, IT, banks and payment providers. We have built long-standing relationships with all of these based on trust and support and they play a crucial part in the on-time delivery and quality of our services. We regularly perform external supplier reviews to appraise performance as well as ensuring they have no involvement in modern slavery, corruption, bribery and breaches of competition law; as well as looking for new suppliers who could enhance our operations.

[Icon]

Communities

We are proud to have played a role in supporting local charities in our community, with activities including our partnership with City in the Community and their programme to promote mental wellbeing in young people, as well as once again dedicating 8,000 sq ft of our warehouse space to Cash for Kids for their Mission Christmas campaign which saw toys and gifts processed and delivered to over 35,000 disadvantaged children in Greater Manchester throughout December. Further detail on support initiatives during the course of the year can be found on page 34.

We also introduced our volunteering programme allowing colleagues two paid days a year to volunteer for charity, or take part in a charitable event.

"Our IPO enabled us to build a strong shareholder base and we are grateful to them for the support they have shown our business."

Financial Review

"The Group delivered an Adjusted EBITDA of £12.2m."

Revenue and gross profit

Group revenue for the year ended 30 November 2021 was £145.5m, down 5.1% on the previous year (£153.4m). This was in line with management expectations after a Covid-19 enhanced prior year. Gross profit was £44.3m, a reduction of 1.1% on FY20 (£44.8m) but saw gross margin increase from 29.2% to 30.4%, with buy and sell price focus combined with the increased contribution from rental contracts driving the margin improvement.

On a geographical basis, in the UK, where the Group trades under the musicMagpie brand, revenue was down 3.1% to £115.4m (FY20: £119.1m). In the US, where the Group trades under the decluttr brand, revenue was down 6.0% to $41.5m (FY20: $44.1m) as the business continued with its strategy of focusing on profitable trading, protecting margin at the short-term expense of additional revenue expansion.

To fully understand the Group revenue and margin movements, it is necessary to dissect the performance of each of the three main product areas: we saw continued progression in our consumer technology category whilst Disc Media and Books both moved back towards pre-pandemic levels of activity in the second half of the year.

Consumer technology

Consumer technology revenue increased by 3.1% to £86.1m (FY20: £83.5m), representing 59% of Group revenue and cementing its place as our dominant product category. Whilst we were pleased to see top-line growth, this was muted by two key factors, the first of which was a deliberate long-term strategic move.

Firstly, the UK saw revenue grow by 6.1% from £67.1m to £71.2m (FY20: £67.1m), a 16.2% CAGR on the 12-month period to November 2019. October 2020 saw the strategic launch of our innovative device rental service, the introduction of which provides the potential to earn higher recurring revenues over the life of the device but reduces revenue performance at the outset. As explained in 'Accounting for the Rental' on page 10, subscription revenue is recognised monthly straight line over the duration of the rental contract, presently a 12-month period. As at 30 November 2021, devices purchased by the Group for over £3.6m had been rented to subscribers with £1.8m (FY20: £5,000) of rental revenue recognised in the year with contracted further revenue of £1.9m.

Secondly, the year saw US consumer technology revenues fall 3.0% to $20.5m (FY20: $21.1m). Within this, sales from product purchased direct from consumers accounted for $17.5m growing by 30.8% year on year (FY20: $13.4m). Sales from product purchased from intermediary wholesale partners ('B2B') fell from $7.7m to $3.0m, a 61.6% drop as both stock availability and acceptable margin opportunities through those channels tightened for large parts of the year.

Gross profit in consumer technology across the Group increased by 9.9% to £21.3m (FY20: £19.4m) with gross margin increasing from 23.2% to 24.7%.

Disc Media

The Group's legacy category of Disc Media was an undoubted beneficiary from the various periods of Covid-19 lockdowns and restrictions for a sizeable part of FY20 and the early part of FY21.

We have typically seen year-on-year reductions in Disc Media sales in the region of between 5% and 10% reflecting a decline in the purchase of both new and second-hand physical media as consumers have increasingly consumed content in different ways such as streaming or video on demand. FY20 however saw Disc Media sales increase to £58.8m, up 7.5% on the 12-month period ending 30 November 2019 (£54.8m), as consumers sought increased breadth of 'stay at home' forms of entertainment content. FY21 therefore saw the category come up against tough, and trend bucking comparatives, and the second half did see sales fall back as expected closer to pre-pandemic levels of activity. Overall revenue for the category was down 13.8% to £50.7m for the financial year.

With a £7.1m sales drop, gross profit from Disc Media declined 6.2% to £19.7m (FY20: £21.0m), the revenue reduction partially mitigated by a 3.1% improvement in gross margin increasing to 38.8% from 35.7%. This was attributable to the continued focus on margin maximisation and accordingly product selection, as well as a reduction in lower percentage margin new media sales.

[Icon]

	2021	2020	Increase
Revenue	**145.5**	153.4	-5.1%
– Technology	**86.1**	83.5	3.1%
Outright Sales	***84.2***	*83.5*	*0.9%*
Rental Income	***1.8***	*0.0*	*–*
– Disc Media	**50.7**	58.8	-13.8%
– Books	**8.7**	11.0	-20.6%
Gross Profit	**44.3**	44.8	-1.1%
– Technology	**21.3**	19.4	9.6%
– Disc Media	**19.7**	21.0	-6.2%
– Books	**3.3**	4.4	-25.0%
Adjusted EBITDA[1]	**12.2**	13.9	-12.2%
(Loss)/profit before tax	**(14.8)**	7.0	–
Net cash from operations	**2.6**	12.0	-78.3%
Net cash/(debt)	**1.8**	(6.3)	–

1. Adjusted operating cash flow and adjusted EBITDA are non-GAAP alternative performance measures. See Note 28 to the financial statements for further definitions and reconciliations

Books

The prior year saw the Books category follow a similar pandemic trend to Disc Media with sales up 73.7% from £6.3m in the 12-month period ending 30 November 2019 to £11.0m in FY20.

FY21 sales fell back to £8.7m (down 20.6%), but still up 38% on the 12-month period to 30 November 2019, with the second half seeing average monthly sales of £0.6m, again a return to the average levels seen pre-pandemic.

Gross profit in the category was £3.3m (FY20: £4.4m) with *gross margins reducing from 40.0% to 38.2%.*

Operating expenses

Operating expenses, excluding equity-settled share-based payments and other non-underlying items, depreciation and impairment of fixed assets, and amortisation of intangible assets increased 2.8% to £31.8m (FY20: £31.0m). This was largely driven by increased investment in headcount (*£1.8m year-on-year payroll cost increase) to ensure the Group has appropriate resources to execute its growth strategy,* as well as the introduction of plc related costs. This was offset by a reduction in marketing spend (£1.1m) as activity such as TV spend was normalised in the second half of the year in comparison to the one-off brand build TV activity undertaken during the pandemic in FY20.

Adjusted EBITDA

The Group delivered an Adjusted EBITDA of £12.2m, a 12.3% reduction on the pandemic inflated FY20 out-turn (£13.9m). Adjusted EBITDA is considered to be the key financial performance indicator for the Group, albeit is a non-GAAP alternative performance measure, further explanation for which is given in Note 28 to the financial statements on page 90.

Loss before tax

The Group's statutory loss before tax of £14.8m (FY20: £7.0m profit) was after taking account of £25.7m of costs (FY20: £4.2m) associated with equity-settled share-based payments of £17.4m (FY20: £0.4m), depreciation on disposal of property, plant and equipment of £1.8m (FY20: £1.3m), provision for impairment of rental assets of £0.4m (FY20: nil), amortisation of intangible assets of £1.5m (FY20: £1.3m), and £4.6m (FY20: £1.3m) of IPO and other non-underlying items.

Of these costs, £21.1m (FY20: £2.9m) were non-cash items and £22.0m (FY20: £1.3m) were non-recurring items.

Cash flow and balance sheet

The Group generated net cash from operating activities of £2.7m (FY20: £12.0m).

Adjusted operating cash flow(1) calculated as Adjusted EBITDA(1) less movements in working capital, was £7.3m (FY20: £13.2m) giving a cash conversion ratio of 60.0%. This was down on the 95.6% recorded in FY20 due to a £4.9m negative working capital movement with stock and receivables each increasing by £1.2m and trade and other payables decreasing by £2.5m.

Total cash used in investing activities was £7.2m (FY20: £1.9m) with acquisition of rental assets of £3.7m (FY20: £0.1m) and capitalised development expenditure of £2.8m (FY20: £1.5m) forming the majority of the year-on-year movement. The increase in capitalised development expenditure reflects the scaling up of our IT development teams over the last 18 months to both retain our technological advantage and accelerate *our strategic initiatives.*

On 5 February 2021, the Group refinanced with the introduction of a £10m three year committed revolving credit facility with Silicon Valley Bank ('SVB'), repaying existing bank debt from Aurelius Finance Company Limited. We would like to thank both institutions for their unwavering support of our business and the management team.

On IPO, the Group completed a primary fund raise of £15.0m, *providing further funds for future investment activities such as rental and* SMARTdrop Kiosks, strengthening our balance sheet in the process. £5.6m of this was used to repay investor loan notes and interest on completion in addition to reducing the drawn SVB facility to nil at that time. The combination of these saw financial expenses reduce by £1.4m to £1.3m year on year.

Taking into account all of the above, the Group finished with net cash (calculated as cash at bank less amounts drawn against committed facilities) of £1.8m at 30 November 2021 (FY20: net debt of £6.3m), giving headroom of £11.8m in the SVB revolving credit facility.

[Icon]

Financial
Key performance indicators

Revenue £m

145.5m

[Graph]

2021: 145.5

2020: 153.4

Gross Profit £m

44.3m

[Graph]

2021: 44.3

2020: 44.8

Adjusted EBITDA £m

12.2m

[Graph]

2021: 12.2

2020: 13.9

Principal risks & uncertainties

Risk	Description	Mitigation
Strategic		
1. Reputation and trust	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.
2. Competition	Failure to compete with new or increased competition could negatively impact the Group's market share as it loses exiting customers and fails to attract new ones.	The Group needs to ensure it can maintain a high standard across factors such as quality, customer service, range of products, price, product availability and innovation. Our Trust and Technology Credentials provide a meaningful barrier to entry into the sectors that the company operates in. Innovation in product and services such as Rental and SMARTdrop Kiosks, both of which require significant investment, are designed to maintain a competitive edge. Large PR Campaigns such as Mount Recyclemore have helped to cement the company's brand as the 'sustainable' place to buy, rent and sell demonstrating ESG credentials which increasingly resonate with consumers.
Operational		
3. Proprietary software and technological change	Dependency on its proprietary software applications, 'ALIVE' and 'WARP', and as an e-commerce operator, its websites expose the Group to any form of damage, interruption, or failure of those. The technology is characterised by change and innovation requiring improvement and enhancements to remain competitive.	Business continuity arrangement are in place including the daily replication of key databases and the use of a high-quality offsite data centre. Regular load and penetration testing completed. Ongoing monitoring in place with automated alerts highlighting points of failure. Highly skilled and empowered development teams continually focus on platform and technology modernisation by reference to customer needs. Product updates are prototyped using tools such as Conversion Rate Optimisation and A/B testing and are quality controlled in a test environment before release.
4. Third-party systems and services	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. third-party sales platform performance ensuring metrics are met to avoid suspension.
5. Search engines and social networks	Reliance on search engines and social networking websites to attract customers. Changes by search engines to their algorithms can result in a drop in rankings.	Ongoing monitoring is in place to track performance. Our marketing and product development teams work closely with third-party SEO specialists to align with any new metrics to maximise performance.
6. IT cyber security and data protection	The Group collects, stores and processes data about its customers and personally identifiable information as part of its business. There is a risk that this data could become public if there were a security breach at the Group or its third-party service providers leading to reputation damage, loss of customers, potential legal action, fines and sanctions.	Reliance on encryption and authentication technology licensed from third parties to securely transmit sensitive and confidential information. Use of password policies and firewalls to protect the security, integrity and confidentiality of sensitive and confidential information. Removal of data stored on consumer technology product handled using a recognised ADISA software programme. Colleague training to highlight risks and promote safe practices. Dedicated Head of Information Security in place to manage data protection activities. Specialised Cyber Insurance policy in place.

7. FCA Authorisation	Failure to maintain FCA Authorisation. This is important for offering credit hire agreements regulated by the Consumer Credit Act under the rental proposition as well as credit brokering Buy Now Pay Later payment options.	Ensure FCA Authorisation is maintained through good working practices, adherence to laws and maintenance of reporting requirements. The Company has engaged with a third-party legal consultancy firm to support in the completion of regulatory returns, compliance reviews and monitoring, FCA updates and horizon scanning, and training for colleagues handling regulatory activities.
Finanical / Economic		
8. Brexit	The exit from the European Union may impact on the ability of the UK business to hire sufficient operational colleagues.	Clear understanding of new rules and regulations regarding employment rights. Monitoring of colleague turnover to identify recruitment needs to meet resource plans. Value-based culture designed to promote colleague engagement to retain and attract workforce.
9. Currency risk	The Group has a US operation with revenue and costs in US Dollars ('USD') which is converted into its reporting currency of Pounds Sterling ('GBP'). Movements in exchange rates could impact on the Group's reported financial performance.	Excess US Dollars are converted in GBP and remitted to avoid currency exposure. Pricing can be flexed quickly with agility if required to respond to changes in rates.
10. Taxation	Failure to understand taxation requirements could leave the business exposed to erosion of margin and cash as well as compliance penalties.	Use of third-party taxation specialists to provide a clear understanding of all applicable laws and regulations, with the ability to make timely changes to systems and processes should the requirement arise.
11. Covid-19 and other pandemics	Potential for our operations and those of third-party providers to be impacted by staff reductions and site closures. Consumer behaviour could be impacted by resultant economic challenges.	Maintenance of safe working practices to ensure the business can continue to remain open and function effectively. Work from home practices to remain which can be flexed as part of any hybrid working strategy or governmental orders. Market positioning in the value-led sector and well placed in the event of an economic downturn as consumers seek ways both to save money and generate income. Online focused with no exposure to potential closure of physical retail outlets. Agility to flex volume to respond to operational disruption.

Streamlined Energy and Carbon Reporting

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

"musicMagpie are committed to reducing our environmental impact and contribution to climate change through continuous improvement to energy management and operational procedures."

We recently qualified for the London Stock Exchange's Green Economy Mark, meaning 50% or more of our total annual revenues are from products and services that contribute to the Green Economy. The musicMagpie corporate recycling programme was also launched in February 2021, which is aimed at supporting businesses that want to increase their sustainability efforts and reduce their waste footprint.

[Green Economy – London Stock Exchange logo]

SECR 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 2021.

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 on the right details our energy and GHG emission sources for the current year against last year.

		FY21	FY20	% change
Energy (kWh)				
Natural		1,248,641	1,363,061	-8.4%
Heating oil		429,002	322,286	33.1%
Company vehicles		56,709	120,170	-52.8%
LPG		13,073	15,047	-13.1%
Electricity		1,439,849	1,563,719	-7.9%
Grey fleet		14,938	17,392	-14.1%
Total energy		**3,217,150**	**3,401,675**	**-5.4%**
GHG emissions (tCO_2e)				
Scope 1	Natural gas	228.7	250.6	-8.7%
	Heating oil	110.2	82.8	33.1%
	Company vehicles	13.4	28.9	-53.5%
	LPG	2.8	3.2	-13.1%
	Refrigerant gases	1.4	1.4	0.0%
Scope 2 (LBM)	Electricity	382.3	440.9	-13.3%
Scope 3	Grey fleet	3.5	4.1	-14.7%
Total GHG emissions		**742.3**	**811.9**	**-8.6%**
Emission intensity				
Intensity metric (Turnover £m)		145.1	153.4	-5.1%
tCO_2e / Turnover (£m)		**5.11**	**5.29**	**-3.4%**

Methodology

Energy consumption from electricity and natural gas use has been taken directly from supplier fiscal invoices where available. For other fuels such as LPG and gas oil, volumetric quantities have been taken from supplier invoices and converted into equivalent energy using standard calorific values. All UK energy disclosures have been converted into GHG emissions using factors published by BEIS in 2021. Emissions generated by the US facility in Kennesaw have been quantified using factors published by the U.S. EPA.

GHG emissions associated with Scope 2 purchased electricity have been reported using the location-based method. Equivalent market-based emissions for FY21 were calculated as 400.8 $tCO2$. Where fuel mix disclosures were not available, such as for supplies at leased facilities, the emissions factor for the residual fuel mix of the region was instead adopted. Only emissions calculated using the location-based methodology have been carried into the total emissions figure – market-based emissions have been included for comparison only.

Fugitive emissions from air conditioning and refrigeration equipment have been quantified using annual F-gas service reports and global warming potential ('GWP') factors published by BEIS. Where service reports were not available, a standard leakage rate has been assumed for the year. Refrigerant gas emissions data associated with Telford and Kennesaw facilities have been excluded from reporting due to a lack of information, the impact of these exclusions is considered to be immaterial. Transport disclosures have been quantified using a combination of fuel card transaction reports and business mileage expense claim records. Fuel volumes and mileages have been converted into equivalent energy and GHG emissions using emissions factors published by BEIS in 2021.

Vehicle information such as engine size and type was not held against each mileage claim, therefore a vehicle of average size and fuel type has been assumed.

Energy efficiency actions

musicMagpie are committed to reducing our environmental impact and contribution to climate change through continuous improvement to energy management and operational procedures. There has been a drive on energy efficiency through the following initiatives:

- Increased sub-metering, monitoring & targeting ('M&T') systems.
- Upgraded light fittings to most energy-efficient LED variants (ongoing).
- A switch-it-off energy campaign.
- Reduction in business travel by making more use of online meetings.
- Implementation of daylight and motion sensors to align with site occupancy (ongoing).
- Switch to 100% renewable electricity in Hazel Grove and Macclesfield Distribution Centres.

A number of low-carbon solutions are also being appraised to help realise further carbon reductions over the coming years:

- Installation of variable refrigerant flow ('VRF') systems to reduce space heating emissions.
- Installation of solar PV arrays will reduce our dependency on the electricity grid and increase the percentage of our electricity consumption generated by renewable sources.
- Voltage optimisation units will act as an additional control on electrical equipment, reducing unnecessarily high incoming voltages which will result in both an energy and cost saving.

We recognise that we have a significant role to play in the global transition to a low-carbon economy and have aligned our ambitions with the Zero Carbon Manchester framework, aiming to be a net zero company operating within the Greater Manchester region by 2038. To assess, manage and mitigate climate-related issues more effectively, we are taking our first steps towards the development of a long-term carbon reduction strategy, initially by building on our SECR compliance and quantifying our Scope 1 and 2 greenhouse gas (GHG) emissions in full. Scope 3 emissions account for the majority of our GHG inventory – a high-level screening assessment will be conducted in order to identify and formally quantify GHG emissions occurring in our value chain. Our sustainability team will work ever closer with our partners throughout our supply chain, and on engaging with our customer base to educate on selecting packaging and courier options with the lowest impact for waste and emissions.

How we then begin to reduce our emissions will be facilitated by a number of initiatives. A group-wide carbon management review is being conducted to identify high-level opportunities for emissions reductions across the three Scope categories, with compensation and offsetting schemes also being appraised in the short term. Opportunities to improve the energy efficiency of our operations will be identified via audits as part of our compliance with the Energy Savings Opportunity Scheme ('ESOS'). We are also starting to establish robust governance and risk management procedures to align ourselves with the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations, which will become mandatory as of FY23.

The Strategic Report was approved on behalf of the Board on 1 March 2022.

Steve Oliver
Chief Executive Officer

1 March 2022

[Icon]

Board of Directors

Martin Hellawell

Non-Executive Chair

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

Committees

Audit Committee

Nomination Committee

Remuneration Committee

[Photo – Martin Hellawell]

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, Mr. Oliver 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.

[Photo – Steve Oliver]

Alison Littley

Non-Executive Senior Independent Director

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

Committees

Audit Committee

Nomination Committee

Remuneration Committee

[Photo – Alison Littley]

Dave Wilson
Non-Executive Director

Dave is Non-Executive Chair for LBG Media plc. He stepped down as CFO and COO from GB Group plc, the global identity data intelligence specialist, after 12 years at the end of June 2021. 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.

Committees
Audit Committee

Nomination Committee

Remuneration Committee

[Photo – Dave Wilson]

Corporate governance statement

Martin Hellawell
Chair

[Photo – Martin Hellawell]

Chair's introduction to governance

Dear shareholder,
I am pleased to introduce the Corporate Governance Statement as Chair of the Board of Directors of musicMagpie plc for the year ended 30 November 2021. As Chair, it is my responsibility to ensure that musicMagpie has both sound corporate governance and an effective Board. Since the Company listed on AIM during the year, it has chosen to adopt the Quoted Companies Alliance's Corporate Governance Code for Small and Mid-Size Quoted Companies (the 'QCA Code') and considers itself to be compliant having regard to the Company's size, Board structure, stage of development and resources. The Directors place a significant emphasis on ensuring that musicMagpie has the appropriate governance structures in place. The Board considers that compliance with the QCA Code will enable us to serve the interests of all our key stakeholders, including our shareholders, and will promote the maintenance and creation of long-term value in the Company. This report describes our approach to governance, including information on relevant policies, practices and the operation of the Board and its Committees.

The Board
The Board comprises three Non-Executive Directors, including the Non-Executive Chair and two Executive Directors, taking into account the newly appointed CFO who will be joining the Board in the second quarter. Short biographical details are set out on page 44.

In carrying out its governance role, the Board provides leadership to the Group as a whole, as well as driving performance and ensuring a framework of controls exist which allow for the identification, assessment and management of risk. The Board ensures the Group complies with all its contractual, statutory and any other legal obligations, as well as the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company and meets regularly to set the overall direction and strategy of the Company.

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.

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 operational heads.

The Company Secretary attends all Board meetings and advises on corporate governance matters. The Company Secretary produces full minutes of each meeting, including a log of actions to be taken by the Chair of the Board then follows up on each action at the next meeting, or before if appropriate.

Board attendance

Director / Position	Meetings Held	Meetings Attended
Martin Hellawell Non-Executive Chair	8	8/8
Steve Oliver Chief Executive Officer	8	8/8
Alison Littley Non-Executive Senior Independent Director	8	8/8
Dave Wilson Non-Executive Director	8	8/8

Gender breakdown at 31 December 2021

Board

[Pie chart]

25% Female (1)

75% Male (3)

Senior Leadership Team

[Pie chart]

25% Female (2)

75% Male (6)

Audit Committee

The Audit Committee will have the primary responsibility of monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported on. It will receive and review reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group.

The Audit Committee will meet not less than four times in the year post IPO, until appointment of a CFO following which it will meet not less than twice in each financial year and will have unrestricted access to the Group's external auditors.

The Audit Committee comprises David Wilson (as Chair), Martin Hellawell and Alison Littley.

Audit Committee attendance

Director	Meetings Held	Meetings Attended
Dave Wilson (Chair)	2	2/2
Alison Littley	2	2/2
Martin Hellawell	2	2/2

Remuneration Committee

The Remuneration Committee will review the performance of the Executive Directors, Chair of the Board and senior management of the Group and make recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation for the time being.

The Remuneration Committee will meet as and when necessary, but at least twice each year. In exercising this role, the members of the Remuneration Committee will have regard to the recommendations put forward in the QCA Code and, where appropriate, associated guidance.

The Remuneration Committee comprises Alison Littley (as Chair), Martin Hellawell and David Wilson.

Remuneration Committee attendance

Director	Meetings Held	Meetings Attended
Alison Littley (Chair)	3	3/3
Martin Hellawell	3	3/3
Dave Wilson	3	3/3

Nomination Committee

The Nomination Committee will lead the process for Board appointments and make recommendations to the Board. The Nomination Committee will evaluate the balance of skills, experience, independence and knowledge on the Board and, in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.

The Nomination Committee will meet as and when necessary, but at least once a year.

The Nomination Committee comprises Martin Hellawell (as Chair), David Wilson and Alison Littley.

Nomination Committee Attendance

Director	Meetings Held	Meetings Attended
Martin Hellawell (Chair)	3	3/3
Alison Littley	3	3/3
Dave Wilson	3	3/3

Matters reserved for the Board

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.

Corporate Governance Report

The Directors recognise the importance of sound corporate governance commensurate with the size and nature of the Group and the interests of its shareholders. The QCA has published the QCA Code, a set of corporate governance guidelines, which include a code of best practice, comprising principles intended as a minimum standard, and recommendations for reporting corporate governance matters. The Board has adopted the QCA Code and the Company has taken steps to ensure compliance by the Directors and relevant employees with the key governance principles of the QCA Code.

Compliance with QCA Code – musicMagpie's approach

Principle 1: Establish a business strategy and business model which promotes long-term value for shareholders

musicMagpie has a clearly articulated strategy and business model. Our core strategy and business model are simple: to provide consumers with a smart, trusted and sustainable way to buy, rent and sell refurbished consumer technology and physical media products. This strategy is aimed at growing our business and promoting long-term value for shareholders. Full disclosure of our strategy and business model can be found in pages 5 to 42 of the Annual Report which will also be available on the Company's website.

The Directors intend to subject this strategy to ongoing review and will provide an update on it from time to time in the strategic report that will be included in the Annual Report and Accounts of the Group. As part of this review the Directors will continue to monitor and identify risks facing the Group and where so identified, mitigation strategies to manage these risks are in place. The principal risks facing the Group are set out in pages 39 to 41 of the Annual Report.

Principle 2: Seek to understand and meet shareholder needs and expectations

Following Admission, the Directors have continued to communicate with shareholders on a regular basis. Contact details for shareholder communication can be found in the 'Investor Relations' section of the Company's website at www.musicmagpieplc.co.uk and the Board also encourages all shareholders to attend its ('AGM'), where they will be given opportunities to ask questions of the Board.

Shareholders will also be kept up to date via announcements made by the Company through a Regulatory Information Service in respect of, inter alia, financial information, matters of material substance and/or a regulatory nature and the results of its AGM.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board considers the need to maintain effective working relationships across a wide range of stakeholders including, inter alia, its shareholders, colleagues and customers who also serve as suppliers. The Directors and the senior management team maintain an ongoing and collaborative dialogue with such stakeholders, as part of the decision-making process and day-to-day running of the business.

In the past 12 months, musicMagpie has in respect of the following stakeholders:

Colleagues

- Promoted a feedback culture where input on all aspects of working life can be given enabling improvements to be considered.
- Implemented appropriate measures to ensure safety and wellbeing of colleagues throughout the Covid-19 pandemic.
- Focused on promoting positive mental health amongst all colleagues, including the continuation of the Employee Assistance Programme where independent third-party organisations are engaged to provide free and confidential counselling.
- Continued to actively focus on diversity in recruitment alongside the promotion of our Magpie Values (see page 34).

Customers and the community

- Obtained and analysed feedback from customers through surveys, CSAT and review platforms.
- Supported in the provision of programmes to promote mental wellbeing in young people.
- Introduced a volunteering programme allowing colleagues two paid days a year to volunteer for charity.

Suppliers

- Maintained strong relationships with customer product suppliers, with a 'treat them fairly' approach.
- Fostered relationships with long-standing external suppliers.
- Performed external supplier reviews to appraise performance as well as ensuring no involvement in modern slavery, corruption, bribery and breaches of competition law.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board has ultimate responsibility for the Group's system of internal controls and for reviewing its effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. Any system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there are ongoing procedures for identifying, evaluating and managing significant risks faced by the Group, and reviews these formally with management before each financial year end (as well as the ongoing review of risks which emerge throughout the year).

Risk management procedures are in place to ensure risks faced by all divisions of the Group are communicated to the Board in a timely manner. Internal and external risks, which are assessed on a continual basis, may be associated with a variety of internal or external sources, including control breakdowns, disruption in information systems, competition, inadequate financing, poor business performance, natural catastrophe and regulatory requirements. These involve a process of control, self-assessment and reporting established to provide a documented trail of accountability, which will be reported to the Board.

The Directors have identified the risks and uncertainties which they consider to be the most significant for investors, which are summarised in page 39 to 41 of the Annual Report.

Principle 5: Maintain the Board as a well-functioning, balanced team led by the Chair

The Board comprises:

- three Non-Executive Directors, including the Non-Executive Chair; and
- two Executive Directors, following the appointment of Matthew Fowler as CFO.

Further details of the Directors and their prior experience is set out on page 44 of the Annual Report and the AIM Rule 26 website. The Non-Executive Directors, Martin Hellawell, David Wilson and Alison Littley are considered to be independent and were selected with the objective of bringing experience and independent judgement to the Board. In addition, the Board is supported by three committees, namely an Audit Committee, a Remuneration Committee and a Nomination Committee with formally delegated duties and responsibilities. Each of the aforementioned committees consist of at least one Non-Executive Director.

The Board met formally eight times last year. All Board members attended in the year by way of video conference or in person at musicMagpie's Head Office in Stockport. In subsequent years, it is intended that the Board will meet on an ad hoc basis but at least eight times a year and the Audit Committee will meet not less than four times in the year post IPO, until the appointment of the Chief Financial Officer following which it will meet not less than twice in each financial year. The Remuneration Committee at least twice a year and the Nomination Committee when necessary but at least once a year.

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board is satisfied that its members have an effective and appropriate balance of skills and experience, including running and growing public companies, and capital markets experience, including mergers and acquisitions and capital raising. Biographies of each Director detailing their skills *and experience can be found on* page 44 of the Annual Report.

Each Board member brings a different mix of knowledge and experience, which blend well into a successful and effective team. Board composition is kept under review and the Board is committed to ensuring diversity of skill, experience and gender balance. The Board therefore believes that its members possess the relevant qualifications and skills necessary to effectively oversee and execute the Group's strategy. As outlined, a Chief Financial Officer has been appointed who will become a Board member in our second quarter.

The Board seeks advice from their corporate advisers as needed to enhance knowledge and continue to receive briefings from the Company's Nominated Adviser in respect of continued compliance with, the AIM Rules and the Company's solicitors in respect of continued compliance with, but not limited to MAR.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Directors will consider the effectiveness of the Board, the Audit Committee, the Remuneration Committee, and individual performance of each Director. The Company also has a Nomination Committee which will conduct a regular assessment of the individual contributions of each member of the Board to ensure that their contribution is relevant and effective, as well as reviewing the adequacy of succession planning.

The Board has not yet conducted a formal evaluation of its operations and practices, whether by a formal internal process or with the support of external advisers due to the short time since admission but will seek to conduct such evaluation in the current and subsequent financial years.

The Board will continue to monitor its approach to the evaluation of effectiveness including the use from time to time of external facilitation.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

The Board promotes a culture of integrity, honesty, trust and respect and all employees of the Group are expected to operate in an ethical manner in all of their internal and external dealings, in line with the established set of 'Magpie Values', which are summarised in more detail on page 31 of the Annual Report.

The Group's employee handbook and policies, which address matters such as whistleblowing, social media and anti-bribery and corruption, further engender and promote this culture. The Board takes responsibility for the promotion of ethical values and behaviours throughout the Group and for ensuring that such values and behaviours guide the objectives and strategy of the Group.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

The Non-Executive Chair leads the Board and is responsible for its governance structures, performance and effectiveness. The Board retains ultimate accountability for good governance and is responsible for monitoring the activities of the executive team. The Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions. The Executive Director is responsible for the operation of the business and delivering the strategic goals agreed by the Board.

The Board is supported by the Audit Committee, Remuneration Committee and Nomination Committee, further details of which are set out on page 44 of the Annual Report.

There are certain material matters which are reserved for consideration by the full Board. Each of the committees has access to information and external advices, as necessary, to enable the committee to fulfil its duties.

The Board intends to review the Group's governance framework on an annual basis to ensure it remains effective and appropriate for the business going forward.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Group's Annual Report and accounts, as well as its half year report, are key communication channels through which stakeholders are informed as to how the Group is governed, how the Group is progressing in meeting its objectives and any updates to its strategic targets.

Additionally, the Board will use the Group's AGM as a mechanism to engage directly with shareholders, to give information and receive feedback about the Group and its progress. The Company's website will be updated with information regarding the Group's activities and performance, including financial information and contact details for shareholder communication which can be found in the 'Investor Relations' section of the Company's website at www.musicmagpieplc.co.uk.

M.J. Hellawell

Martin Hellawell
Chair

1 March 2022

Audit Committee Report

"As Chair of the Audit Committee, I am pleased to present the report for the period ending 30 November 2021."

The report outlines the activities undertaken by the Committee since IPO, fulfilling our responsibilities to provide effective governance over the Group's financial activities.

Committee members

Chair	Dave Wilson
Committee members	Martin Hellawell Alison Littley

Committee members

Number of meetings held in 2021	2

Dave Wilson

Chair of the Audit Committee

[Photo – Dave Wilson]

Members of the Committee

In addition to myself as Chair, the members of the Committee are Martin Hellawell and Alison Littley. The Committee has a wealth of knowledge from multiple industry sectors and alongside myself as a Chartered Certified Accountant and former CFO and COO of an AIM listed company, its members also sit on boards for other public companies, details of which can be found in the Board bios on page 44.

The Committee will meet not less than four times in the first 12 months post IPO and not less than twice in each year thereafter following appointment of the CFO. It has met twice in the period post admission with all members in attendance as well as the CEO and Head of Finance by request of the Committee to facilitate discussions of the financial statements and internal controls. We have unrestricted access to the Group's external auditors, RSM UK Audit LLP and they have attended both meetings by invitation in the period.

Outside of the formal Committee meetings, various other meetings were held throughout the period to review accounting policies and general updates with the Head of Finance.

Role and responsibilities of the Committee

The Terms of Reference for the Committee were created at admission and are reviewed annually.

The Audit Committee will have the primary responsibility of monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported on.

The Committee's key responsibilities include:

- the monitor and review of the Group's financial statements and announcements relating to performance, reporting judgements and issues to ensure the integrity of items disclosed therein;
- ensuring compliance to the relevant accounting standards and consistency of application;
- the determination and review of the Group's risk profile, and the effectiveness of the risk management systems and internal controls covering key areas;
- overseeing the relationship with the external auditors approving their remuneration, terms of engagement and audit plan, as well as making recommendations as to their reappointment;
- reviewing and discussing the findings of the external auditors as well as assessing their performance, independence and objectivity; and
- ensuring whistleblowing processes are adequate allowing for proportionate and independent investigation of any matters raised.

Activities during the year

To assist with the fulfilment of its responsibilities, the Committee receives and reviews reports from the Group's management and external auditors. These have included reviews of accounting policies and key judgements for:

- Accounting for Rental contracts.
- Merger accounting for the Group reorganisation.
- Capitalisation and amortisation of development costs.
- Valuation of goodwill and intangible assets.
- Alternative Performance Measures.
- Share-based payments.
- Going concern.

Going concern

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

External audit

The Audit Committee approves the appointment and remuneration of the Group's external auditors. They also ensure that they are satisfied with the external auditors' independence in relation to any other non-audit work undertaken by them. RSM UK Audit LLP are recommended for reappointment in accordance with the Companies Act 2006.

Dave Wilson
Chair of the Audit Committee

1 March 2022

Report of the Remuneration Committee

"On behalf of the Board, following the recent IPO and for the first time as Chair of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for 2021."

Committee members

Chair	Alison Littley
Committee members	Martin Hellawell David Wilson
Number of meetings held in 2021	3

Alison Littley
Chair of the Remuneration Committee

[Photo – Alison Littley]

Annual Statement
The Company is listed on the Alternative Investment Market and therefore not required to provide all of the information included in this Report. However, we provide disclosures in addition to that which is required by AIM Rule 19 on a voluntary basis, to enable shareholders to understand and consider our remuneration arrangements. In line with best practice, we will also voluntarily submit this report to an advisory shareholder vote at our Annual General Meeting on 19 May 2022.

The report is divided into three sections, these being:

- This Annual Statement, which summarises the work of the Committee, remuneration outcomes in respect of the period just ended and how the Remuneration Policy will be operated for the forthcoming financial year;
- The Remuneration Policy Report, which summarises the Company's Remuneration Policy; and
- The Annual Report on Remuneration, which discloses how the Remuneration Policy was implemented in the period ended 30 November 2021 and how the Policy will operate for the year ending 30 November 2022.

Committee members & attendance

Director	Role	Attendance
Alison Littley	Chair from 15 April 2021	3 out of 3
Martin Hellawell	Member from 15 April 2021	3 out of 3
David Wilson	Member from 15 April 2021	3 out of 3

Additional attendees, as invited: Group CEO, Group COO, Group CPO, Company Secretary, FIT Remuneration Consultants LLP (the Committee's independent advisor).

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. In the period between IPO and 30 November 2021, it met three times.

Advisors to the Committee
FIT Remuneration Consultants LLP was appointed to provide independent advice to the Remuneration Committee during 2021 as and when required in respect of remuneration quantum and structure and developments in governance and best practice more generally. 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.

Summary of the remuneration policy post IPO
- the CEO received an annual base salary of £350,000 from IPO, with a 3% of qualifying earnings statutory pension provision;
- annual bonus was capped at 100% of base salary from IPO, with targets based on sliding scale profit targets. 50% of any bonus award will normally be deferred into shares for three years;
- no LTIP awards were granted in the year ended 30 November 2021 (the first such awards are expected to be granted during the year ending 30 November 2022); and
- shareholding guidelines of 100% of salary were introduced in the period ending 30 November 2021.
- Performance and reward for year ended 30 November 2021

Despite the Company achieving the Board's expectations for both revenue of £145.2m and EBITDA of £12.2m, a lower than anticipated PBT was achieved and therefore, no bonus payment was made for the year ending 30 November 2021.

Implementing the remuneration policy for the year ending 30 November 2022

In respect of the implementation of the Remuneration Policy for the year ending 30 November 2022 for Executive Directors:

- no changes will be made to the CEO's base salary (£350,000) from 1 December 2021;
- the base salary of the incoming CFO, starting around April 2022, will be £200,000;
- pension provision will continue to be workforce aligned;
- annual bonus will continue to be capped at 100% of base salary based on sliding scale profit targets and personal/strategic targets. 50% of any bonus award will normally be deferred into shares for three years;
- LTIP awards are expected to be granted during the year ending 30 November 2022 over shares equal to 100% of salary. Performance targets will be based on EPS and share price metrics; and
- shareholding guidelines of 100% of salary will continue to operate for the Executive Directors.

No changes will be made to fees for the Chair (£100,000) or Non-Executive Directors (£65,000).

Alison Littley
Chair of the Remuneration Committee

1 March 2022

Remuneration Policy Report

This section sets out the Directors' Remuneration Policy ('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.

Summary of Directors' remuneration policy

Component	Purpose and link to strategy	Operation	Maximum	Performance
Base salary	To provide a competitive base salary 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.	n/a	n/a
Benefits	To provide a market-competitive benefits package.	Offered in line with market practice, and may include a car allowance, private medical, income protection & death in service insurance.	n/a	n/a
Pension	To provide an appropriate level of retirement benefit.	Workforce aligned pension provision.	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	Sliding scale financial and/or personal/strategic targets
LTIP	To drive and reward the achievement of longer-term objectives, support 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
Shareholding guidelines	To promote share ownership for Executive Directors.	Executive Directors are expected to build a shareholding in the Group over time by retaining 50% of the net of share awards which vest.	100% of salary	Not applicable
Non-Executive Directors	The Committee determines the Chair's fee and fees for the Non-Executive Directors are agreed by the Chair and Chief Executive.	Fees are reviewed annually taking into account the level of responsibility, 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.	n/a	n/a

Service Contracts

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

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

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

Annual Report on Remuneration

Implementation of the policy for period ending 30 November 2021

This section of the Annual Report describes the operation of the Remuneration Policy during the period from IPO to 30 November 2021. During this period, the Directors received the following remuneration and pension contributions:

Director	Salary or fees	Taxable benefits	Pension contributions	Annual bonus	FY2021 Total
Martin Hellawell	62,500	–	–	–	62,500
Steve Oliver	261,985	1,524	1,101	–	264,610
David Wilson	40,625	–	–	–	40,625
Alison Littley	40,625	–	–	–	40,625

Annual bonus for FY2021

Details of the annual bonus awards to the CEO for the year ended 30 November 2021 are as follows:

Financial targets (100% of bonus)

For FY 2021 the bonus was based on an adjusted group PBT target of £8.5m – £9.4m.

Sliding Scales	2021 Adjusted Group PBT Target	% of base salary	% cash	% deferred share options
Actual	£7.9m	0	0	0
Below Threshold 0%	< £8.5m	0	0	0
Threshold 20%	£8.5m	20%	10%	10%
Target 50%	£8.95m	50%	25%	25%
Maximum 100%	£9.4m	100%	50%	50%

Despite the Company achieving the Board's expectation for revenue of £145.5m and adjusted EBITDA of £12.2m, a lower than anticipated adjusted PBT was achieved. As such, no bonus payment was made for the period ended 30 November 2021.

Share awards vesting in the year

No share awards vested during the period from IPO to 30 November 2021.

Share awards granted in the year

No share awards were granted during the period from IPO to 30 November 2021.

Directors' interest in shares

The interests of the Directors as at 30 November 2021 (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
Martin Hellawell	147,738
Steve Oliver	10,240,649
David Wilson	51,813
Alison Littley	Nil

The market price of the Company's shares at 30 November 2021 was 162.50 pence and the highest and lowest price in the period from IPO to 30 November 2021 was 202.50 and 159.50 pence, respectively.

Directors' Report

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 2021.

Principal activity

The principal activity of the Group in the year under review was to promote recycling and sustainability by providing a fast, easy and trusted method for consumers to both sell 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.

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 37 to 38.

The Directors have not recommended the payment of a dividend for the year.

Purchase and acquisition of own shares

During the year in connection with the steps undertaken to effect the Group reorganisation for the Initial Public Offering, the Company repurchased all 110,790,117 of its deferred ordinary shares of £0.01 each for an aggregate consideration of £1. Such deferred shares were then cancelled. Also in connection with the Group reorganisation, the company acquired by way of share for share exchange 34,400 D1 ordinary shares of £0.01, 56,117 G ordinary shares of £0.01 and 56,117 H ordinary shares of £0.01 of its own ordinary shares of £0.01 each (each representing 100% of those classes of share). These shares are held by the company's Employee Benefit Trust (EBT) to satisfy obligations under share option plans. Following reclassification and a bonus issue the EBT held a maximum of 11,212,613 ordinary shares of £0.01 (10% of that class of share), and having satisfied the exercise of some share options with 2,016,711 ordinary shares of £0.01 (1.8% of that class of share), at the reporting date holds 9,195,902 ordinary shares of £0.01.

Events after the balance sheet date

On 17 December 2021, the Group entered into a lease assignment in respect of its leased property at Galleon House, Newby Road, Hazel Grove. The assignment saw it take on all rights and obligations under a 63-year lease dated 21 December 1967 and ending on 21 December 2030, securing its tenancy and removing the previous tenant, Oxendale & Company Limited, from whom it previously sublet, from the lease.

Risk management

The Group's principal risks and uncertainties are discussed on pages 39 to 41 and in Note 27 to the financial statements.

Section 172 statement

The statement of compliance with s172 of Companies Act 2006 covering our engagement with key stakeholders can be found on pages 35 to 36.

Streamlined Energy and Carbon Reporting requirements

The Group has chosen, in accordance with s414C(11) of the Companies Act 2006 , to include information on greenhouse gas emissions, energy consumption and energy efficiency as a separate disclosure which can be found on pages 42 to 43.

Directors

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

Steve Oliver (appointed 7 December 2020)

Martin Hellawell (appointed 15 April 2021)

Alison Littley (appointed 15 April 2021)

Dave Wilson (appointed 15 April 2021)

Biographical details of the Directors can be found on page 44.

Directors interests in the ordinary shares of the Company can be found in the Remuneration Committee Report on page 52.

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

As explained in the basis of preparation in Note 2.1 of the financial statements, a group reorganisation took place prior to the IPO resulting in the Company being re-registered as a public limited company and becoming the ultimate holding company of the Group changing its name from musicMagpie Limited in the process. The Directors of musicMagpie Limited were Steve Oliver, Ian Storey, Andrew Leach and Stephen Richards.

Prior to the reorganisation, the ultimate holding company was Entertainment Magpie Group Limited. The Directors of Entertainment Magpie Group Limited were Steve Oliver, Ian Storey, Andrew Leach and Stephen Richards.

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 31 December 2021, 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. ordinary shares held	% of issued
Northern Entities	17,309,325	16.06%
Canaccord Genuity Wealth Management	12,104,075	11.23%
Liontrust Asset Management	10,866,653	10.08%
Schroder Investment Management	10,353,718	9.61%
Steve Oliver *	10,240,649	9.50%
musicMagpie Employee Benefit Trust	9,195,902	8.53%
Walter Gleeson *	7,243,159	6.72%
Tellworth Investments	6,774,063	6.29%
Gresham House Asset Management	4,945,078	4.59%
Chelverton Asset Management	4,145,078	3.85%

* Inclusive of concert parties

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 31 to 34 and in our s172 statement on pages 35 to 36.

Research and development

The Group performs research and development activities principally around the development of the Group's website, app and technology platforms. This remains a high priority for the Group to maintain the excellence of all of its technology alongside the introduction of new functionality. In accordance with its accounting policies, the Group capitalised development expenditure of £2,837,000 (2020: £1,471,000) during the year. Research expenditure is expensed as incurred.

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 auditor, that:

- to the best of their knowledge and belief, there is no relevant audit information of which the Group's and Company'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 auditor are aware of that information.

Going concern

Management has produced forecasts and projections through to 2023 which have been reviewed by the Directors. These demonstrate that the Company and the Group is forecast to generate profits and cash in the year ending 30 November 2022 and beyond and that the Company and the Group has sufficient working capital to enable them to meet their obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

As such, the Directors have a reasonable expectation that the Company and the Group has adequate resources to continue to operate for the foreseeable future. The Directors therefore continue to adopt the going concern basis in preparing the consolidated 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 1 March 2022.

By order of the Board

Steve Oliver
Chief Executive Officer

1 March 2022

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 financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and have also chosen to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The Group and Company financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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

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

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

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

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

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

Independent Auditor's Report

Opinion

We have audited the financial statements of musicMagpie Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 November 2021 which comprise the consolidated statement of comprehensive income, consolidated and company statements of financial position, consolidated and company statements of changes in equity, consolidated cash flow statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 November 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's 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.

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. Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included scrutiny of the cash flow forecasts and judgements, review of sensitivity analysis, and consideration of resulting headroom provided by existing funding facilities.

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 up until November 2023.

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

Summary of our audit approach

Key audit matters	**Group** • Risk of fraud in revenue recognition No key audit matters are identified in respect of the Parent Company.
Materiality	**Group** • Overall materiality: £1,050,000 (2020: £1,070,000) • Performance materiality: £788,000 (2020: £804,000)
	Parent Company • Overall materiality: £100,000 • Performance materiality: £75,000 Note: there are no comparative materiality figures for the Parent Company due to this being its first period since incorporation.
Scope	*Our audit procedures covered 98% of revenue, 93% of net assets and 93% of* loss before tax.

Key audit matters

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

Risk of fraud in revenue recognition

Key audit matter description	(Refer to page 71 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, understated or incorrectly valued within the financial statements through fraud or error, and that the established revenue recognition policies are not appropriately applied given the various types of revenue earned.
How the matter was addressed in the audit	The appropriateness of revenue recognition policies was considered based on the requirements of IFRS 15 Revenue from Contracts with Customers and the nature and terms of sales made by the Group. For a sample of consumer and wholesale sales made in the year, the existence and valuation of the recorded revenue was corroborated to underlying sales documentation and traced through to the corresponding cash receipt and, where relevant, debtor balances which had been cleared by the year end. 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. The controls within the IT environment relating to consumer sales were reviewed for their reliability. 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.

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	£1,050,000 (2020: £1,070,000)	£100,000
Basis for determining overall materiality	2.5% of gross profit	1% of total assets (restricted for group materiality purposes)
Rationale for benchmark applied	The trading margins of the Group are considered the critical factor in driving the performance of the business	The entity is a non-trading holding company holding the investments in the trading subsidiaries
Performance materiality	£788,000 (2020: £804,000)	£75,000
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £52,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £5,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group consists of seven components, five of which are based in the UK, one of which is based in Guernsey and one of which is based in the US.

The coverage achieved by our audit procedures was:

[Pie chart]

Revenue

Full scope: 98%

Analytical procedures: 2%

[Pie chart]

Net Assets

Full scope: 93%

Analytical procedures: 7%

[Pie chart]

Loss Before Tax

Full scope: 93%

Analytical procedures: 7%

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

Of the above no procedures were undertaken by component auditors.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report theron. The Directors are responsible for the 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 which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of the 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' statement set out on page 55, 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, 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.

Auditor's 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 auditor's 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 operate in and how the Group and Parent Company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

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

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

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	Testing a sample of sales recorded in the year and corroborating to underlying sales documentation. Testing the operating effectiveness of the automated IT controls in relation to the completeness, accuracy and existence of consumer sales. 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. Further details of these procedures are outlined in the Key Audit Matter section above.
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 auditor's 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 auditor's 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 opinions we have formed.

Alastair Nuttall

Alastair John Richard Nuttall

(Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants

3 Hardman Street Manchester

M3 3HF

1 March 2022

Financial Statements

	Note	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Turnover	4, 5	**145,506**	153,350
Cost of sales		**(101,211)**	(108,566)
Gross profit		**44,295**	44,784
Operating expenses		**(35,875)**	(33,521)
Operating expenses – exceptional	6, 24	**(22,000)**	(1,663)
Total operating expenses		**(57,875)**	(35,184)
Other operating income		**60**	49
Adjusted EBITDA*	28	**12,174**	13,873
Depreciation of property, plant and equipment	14	**(1,755)**	(1,300)
Impairment of property, plant and equipment	14	**(410)**	–
Loss on disposal of property, plant and equipment	14	**(12)**	–
Amortisation of intangible assets	15	**(1,517)**	(1,261)
Equity – settled share-based payments	24	**(17,379)**	(381)
Other non-underlying items	6	**(4,621)**	(1,282)
Operating (loss)/profit		**(13,520)**	9,649
Financial expense	10	**(1,299)**	(2,691)
(Loss)/profit before tax		**(14,819)**	6,958
Taxation	11	**2,694**	1,612
(Loss)/profit for the period attributable to the equity holders of the parent		**(12,125)**	8,570
Other comprehensive income/(expense)			
Items that may be reclassified to profit and loss			
Foreign exchange differences on translation of foreign operations		**38**	(86)
Total comprehensive (loss)/income for the period attributable to the equity holders of the parent		**(12,087)**	8,484
		Pence	Pence
– basic (loss)/earnings per share	13	**(12.67)p**	9.44p
– diluted (loss)/earnings per share	13	**(12.67)p**	9.42p

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

Consolidated Statement of Financial Position

	Note	As at 30 November 2021 £000	As at 30 November 2020 £000
Assets			
Property, plant and equipment	14	**6,118**	3,888
Intangible assets	15	**9,679**	8,358
Deferred tax asset	12	**5,333**	1,666
Total non-current assets		**21,130**	13,912
Inventories	18	**8,019**	6,835
Trade and other receivables	19	**3,724**	2,508
Cash and cash equivalents	20	**2,849**	5,140
Total current assets		**14,592**	14,483
Total assets		**35,722**	28,395
Liabilities			
Trade and other payables	21	**8,359**	10,881
Other interest-bearing loans and borrowings	22	**–**	7,035
Lease liabilities	22	**366**	745
Corporation tax payable		**269**	54
Total current liabilities		**8,994**	18,715
Net current assets/(liabilities)		**5,598**	(4,232)
Other interest-bearing loans and borrowings	22	**887**	4,200
Lease liabilities	22	**1,557**	1,820
Shares classified as debt	22	**–**	1,240

Total non-current liabilities		**2,444**	7,260
Total liabilities		**11,438**	25,975
Net assets		**24,284**	2,420
Equity			
Share capital	26	**1,078**	14
Share premium	26	**14,449**	1,690
Capital redemption reserve	26	**1,108**	–
Merger reserve	26	**(991)**	–
Translation reserve	26	**(120)**	(158)
Retained earnings		**8,760**	874
Equity attributable to the equity holders of the parent		**24,284**	2,420

These financial statements were approved by the Board of Directors on 1 March 2022 and were signed on its behalf by :

S Oliver
CEO

Company Statement of Financial Position

Registered number 12977343

	Note	As at 30 November 2021 £000
Assets		
Investments	16	**14,285**
Total non-current assets		**14,285**
Trade and other receivables	19	**11,476**
Total current assets		**11,476**
Net assets		**25,761**
Equity		
Share capital	26	**1,078**
Share premium	26	**14,449**
Capital redemption reserve	26	**1,108**
Merger reserve	26	**801**
Retained earnings		**8,325**
Equity attributable to the equity holders of the parent		**25,761**

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

These financial statements were approved by the Board of Directors on 1 March 2022 and were signed on its behalf by:

S Oliver
CEO

Consolidated Statement of Changes in Equity

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
As at 1 December 2019		14	1,690	–	–	(72)	(8,077)	(6,445)
Profit for the year		–	–	–	–	–	8,570	8,570
Foreign currency translation		–	–	–	–	(86)	–	(86)
Total comprehensive income for the year		–	–	–	–	(86)	8,570	8,484
Share-based payments	24	–	–	–	–	–	381	381
Balance as at 30 November 2020		14	1,690	–	–	(158)	874	2,420

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

Company Statement of Changes in Equity

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Retained earnings £000	Total Equity £000
As at 27 October 2020		–	–	–	–	–	–
Loss for the period		–	–	–	–	(8,959)	(8,959)
Total comprehensive loss for the period		–	–	–	–	(8,959)	(8,959)
Share-based payments	24	–	–	–	–	17,284	17,284
Share for share exchange	26	14	–	–	1,792	–	1,806
Reclassification of shares	26	1,100	–	–	–	–	1,100
Repurchase of deferred shares	26	(1,108)	–	1,108	–	–	–
Bonus issue of shares	26	991	–	–	(991)	–	–
Shares issued	26	81	14,922	–	–	–	15,003
Issue costs of shares	26	–	(473)	–	–	–	(473)
Balance as at 30 November 2021		**1,078**	**14,449**	**1,108**	**801**	**8,325**	**25,761**

Consolidated Cash Flow Statement

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Net cash flows from operating activities		
(Loss)/profit for the period	**(12,125)**	8,570
Adjustments for:		
Financial expense	**1,299**	2,691
Taxation expense	**(2,694)**	(1,612)
Depreciation of property, plant and equipment	**1,755**	1,300

Impairment of property, plant and equipment	**410**	–
Loss on property, plant and equipment	**12**	–
Amortisation of intangible assets	**1,517**	1,261
Share-based payments expense	**17,379**	381
Taxation paid	**–**	–
Working capital adjustments		
Increase in inventories	**(1,184)**	(642)
Increase in trade and other receivables	**(1,216)**	(367)
(Decrease)/Increase in trade and other payables	**(2,522)**	397
Net cash from operations	**2,631**	11,979
Cash flows used in investing activities		
Acquisition of property, plant and equipment	**(4,404)**	(442)
Capitalised development expenditure	**(2,837)**	(1,472)
Net cash used in investing activities	**(7,241)**	(1,914)
Cash flows from financing activities		
Proceeds from new loan	**1,000**	310
Proceeds from shares issued	**15,002**	–
Costs incurred on IPO charged to Share Premium	**(473)**	–
Financial expenses paid	**(2,275)**	(2,682)
Lease liabilities paid	**(618)**	(846)
Interest paid on lease liabilities	**(131)**	(243)
Repayment of other loans	**(6,000)**	(3,500)
Repayment of shareholder loan notes	**(4,200)**	–
Net cash from/(used in) financing activities	**2,305**	(6,961)
Net (decrease)/increase in cash and cash equivalents	**(2,305)**	3,104
Cash and cash equivalents brought forward	**5,140**	2,036
Effect of exchange rate fluctuations on cash	**14**	–
Cash and cash equivalents carried forward	**2,849**	5,140

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 2021.

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

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

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

2. Accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 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.

The accounting policies that follow set out those policies that apply in preparing the financial statements for the year ended 30 November 2021 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 with the parent or wholly owned members of the Group; and
- disclosure of the objectives, policies and processes for managing capital.

Initial public offering ('IPO')

On 22 April 2021, the Company was admitted to the Alternative Investment Market ('AIM') of the London Stock Exchange. These Consolidated Financial Statements are the Company's first subsequent to its admission.

The Admission Document for the IPO contains the audited Historical Financial Information of the Group on pages 66 to 106 (the "Historical Financial Information") presented under International Financial Reporting Standards ('IFRS'). The comparative figures for the financial year ended 30 November 2020 are an extract of the Group's historical financial information for that year. Prior to the restructuring the Group was not in existence in its current form, as described in this note. A statutory audit performed in accordance with the Companies Act 2006 was not performed and hence no audit opinion was issued in respect of the historical comparatives presented in these consolidated financial statements. However, as part of the process of Admission to listing on AIM and to trading on the London Stock Exchange, an accountant's report, undertaken by RSM UK Audit LLP, in accordance with the Standards for Investment Reporting 2000 ('SIR 2000') issued by the Auditing Practices Board in the United Kingdom, was issued on the Historical Financial Information included in the Admission Document. The accountant's report, dated 16 April 2021, included an unqualified opinion on the historical information presented. Statutory accounts for the year ended 30 November 2020, prepared under Financial Reporting Standard 102, were approved by the Board of Directors on 16 April 2021 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006. Note 25 of the Historical Financial Information refers to the transition to IFRS and sets out the main items contributing to the change in financial information compared with that reported under UK GAAP as at the transition date.

Group reorganisation

In connection with the admission to AIM, the Group undertook a group reorganisation of its corporate structure which resulted in the Company, musicMagpie plc becoming the ultimate holding company of the Group. The creation of the Company was not conditional upon the IPO. The Company acquired 100% of the share capital of Entertainment Magpie Group Limited ('EMGL') on 31 March 2021 through a share for share exchange.

The insertion of the Company as a new holding company was such that the group reorganisation has been accounted for as a continuation of the existing group rather than an acquisition in accordance with the IFRS 3 guidance in respect of reverse acquisition accounting. Management determined that the Company was formed only to issue equity interests to affect a business combination and does not appear to meet the characteristics of an acquirer following the guidance given in paras. B15 to B18 of IFRS 3. In applying the guidance it was determined that:

- EMGL was significantly greater in size than the Company;
- the shareholders and the Board of EMGL initiated the restructure of the Group to achieve an IPO;
- the owners of EMGL still retained majority voting rights after the combination; and
- no premium was paid as part of the share for share exchange.

Management also determined that the Company did not meet the definition of a business. Accordingly, the insertion of the Company on top of the existing group does not constitute a business combination under IFRS 3 'Business Combinations' and instead has been accounted for as a common control transaction. Merger accounting has been used to account for this transaction.

Under merger accounting principles, the assets and liabilities of the subsidiaries are consolidated at book value in the Group financial statements.

These consolidated financial statements of the Group are the first set of financial statements for the newly formed Group and the prior period has been presented as a continuation of the former EMGL Group on a consistent basis as if the Group reorganisation had taken place at the start of the earliest period presented. The prior period comparatives are those of the EMGL Group since no substantive economic changes have occurred.

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 generated a loss of £12,125,000 during the year ended 30 November 2021 (year ended 30 November 2020: profit of £8,570,000) but this was largely driven by non-cash items including a share-based payments expense totalling £17,379,000. At the year-end date it had net current assets of £5,598,000 (year ended 30 November 2020: liabilities of £4,232,000).

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

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

2.3 Foreign currency

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

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

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 customers by third-party e-commerce platforms but not yet received by the Group. These balances are considered to be highly liquid, with minimal risk of default and are typically received within a week.

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

- For trade receivables, lifetime ECLs are recognised using the 'simplified approach' permitted under IFRS 9.
- For other financial instruments, lifetime ECLs are recognised when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument is measured at an amount equal to 12-month ECL.
- Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

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

Financial liabilities

Financial liabilities comprise trade and other payables (including intercompany balances), 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:

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

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

Inter-company balances are classified as current in the financial statements due to the low credit risk of the issuer given its profitability in the short term.

2.5 Property, plant and equipment

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

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

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

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

Plant and machinery	6–7 years	Straight line
Motor vehicles	3 years	Straight line
Fixtures and fittings	6–7 years	Straight line
Computer and office equipment	3 years	Straight line
Rental assets	1–7 years	Reducing balance

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

2.6 Business combinations

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

The Group measures goodwill at the acquisition date as:

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

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

2.7 Intangible assets

Goodwill

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

Research and development

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

Other intangible assets

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

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

Amortisation

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

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

2.8 Investments

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

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle. The cost of inventories includes the average cost of purchase and other costs, such as inbound delivery and direct labour, in bringing them to their existing location and condition.

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

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

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

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

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

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 Monte Carlo option pricing 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 24 for details of employee share options incentive plans operated by the Group.

2.12 Provisions

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

2.13 Revenue

Revenue is income generated from the sale or rental of goods in the ordinary course of the Group's business activities. In accordance with IFRS 15, revenue is recognised when any performance obligations in a contract with a customer has been satisfied.

The Group's revenues are derived from the supply of goods (technology, media and books) and the rental of devices 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 dispatch to the customer instead of delivery to the customer for practical reasons.

Rental of devices

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

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

2.14 Financial expense

Financial expense includes interest payable and finance charges on shares classified as liabilities recognised in profit or loss using the effective interest method.

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.

2.16 Leases

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

Recognition and measurement

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

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

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

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

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

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

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

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

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

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.

3. Significant accounting estimates, judgements and new accounting standards

3.1 Significant accounting estimates and judgements

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

- The Group makes an estimate of the useful economic life of property, plant, equipment and intangible assets. 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. See further details in Notes 14 and 15.
- Impairment of assets – in testing for impairment of investments, goodwill and other intangible assets, management have made certain assumptions concerning the future development of the business that are consistent with its annual budget and forecasts into perpetuity. Should these assumptions regarding the discount rate or growth in the profitability be unfounded then it is possible that investments and other assets included in the statement of financial position could be impaired. See further details in Note 15.
- 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. Inventories at the year end were valued at £8,019,000 (2020: £6,835,000) which included a provision for slow moving lines of £529,000 (2020: £871,000).
- Valuation of employee share options – the valuation of employee share options is inherently subjective as it involves a number of inputs which are not market observable. See further details in Note 24.

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.

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

3.2 New accounting standards and interpretations issued but not yet effective

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

- Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (effective date 1 January 2021).
- Amendments to IFRS 16: Covid-19-related Rent Concessions beyond 30 June 2021 (effective date 1 April 2021).
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (effective 1 January 2022).
- Amendments to References to the Conceptual Framework in IFRS 3 (effective 1 January 2022).
- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use (effective 1 January 2022).
- Annual Improvements to IFRS Standards 2018-2020 (effective 1 January 2022).
- IFRS 17 Insurance Contracts (effective 1 January 2023).
- 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).
- 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 date to be confirmed).

4. Segmental reporting

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

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

Year ended 30 November 2021	Technology Outright sales £000	Technology Rental income £000	Total £000	Media £000	Books £000	Total £000
Revenue	**84,245**	**1,809**	**86,054**	**50,715**	**8,736**	**145,506**
Gross profit	**19,973**	**1,311**	**21,284**	**19,673**	**3,338**	**44,295**
Processing wages	**(3,988)**	**–**	**(3,988)**	**(7,423)**	**(802)**	**(12,213)**
Contribution after direct labour	**15,985**	**1,311**	**17,296**	**12,251**	**2,536**	**32,082**
Trading margin (%)	**32.5**	**100.0**	**33.9**	**80.3**	**90.0**	**53.4**
Gross margin (%)	**23.7**	**72.4**	**24.7**	**38.8**	**38.2**	**30.4**

Contracted rental income outstanding at the year ended 30 November 2021 amounted to £1,864,805 (2020: £3,000) which is due in the next 12 months.

Year ended 30 November 2020	Technology Outright sales £000	Technology Rental income £000	Total £000	Media £000	Books £000	Total £000
Revenue	83,491	5	83,496	58,848	11,006	153,350
Gross profit	19,363	4	19,367	21,016	4,401	44,784
Processing wages	(3,660)	–	(3,660)	(7,132)	(861)	(11,653)
Contribution after direct labour	15,703	4	15,707	13,884	3,540	33,131
Trading margin (%)	31.9	100.0	31.9	78.2	88.3	53.7
Gross margin (%)	23.2	80.0	23.2	35.7	40.0	29.2

5. Revenue

Disaggregation of revenue

An analysis of revenue by geographical market is given below:

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
United Kingdom	**108,005**	107,770
Within the European Community other than United Kingdom	**4,225**	6,076
United States of America	**29,274**	33,267
Outside the European Community (excluding the USA)	**4,002**	6,237
Total	**145,506**	153,350

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

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
United Kingdom	**115,403**	119,082
United States of America	**30,103**	34,268
Total	**145,506**	153,350

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

6. Other non-underlying items

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
IPO-related costs	**3,998**	220
Other non-underlying costs	**623**	1,063
Total	**4,621**	1,282

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

7. Operating (loss)/profit

included in the (loss)/profit are the following	**Year ended 30 November 2021 £000**	Year ended 30 November 2020 £000
Amortisation of intangible assets	**1,517**	1,261
Depreciation of property, plant & equipment:		
Owned assets	**1,130**	671
Right-of-use assets	**627**	629
Impairment of property, plant and equipment	**410**	–
Loss on disposal of property, plant and equipment	**12**	–
Auditor's remuneration:		
Audit of these financial statements*	**145**	85
Other assurance services	**205**	–
Other services in relation to taxation	**–**	13

* £15,000 (period ended 30 November 2020: £10,000) related to the audit of the Company.

8. Remuneration of Directors

Short-term benefits	**Year ended 30 November 2021 £000**	Year ended 30 November 2020 £000
Directors' emoluments	**626**	466
Employers' pension contributions	**2**	–
Amounts paid to third parties in respect of Directors' services	**10**	25
Total	**638**	491

The aggregate of emoluments of the highest paid Director were £326,000 (period ended 30 November 2020: £219,000). Pension contributions paid on his behalf were £2,000 (period ended 30 November 2020: £nil).

Information on Directors' remuneration for the year ended 30 November 2021 is set out on pages 50-52. This discloses the amounts paid to the Directors for qualifying services provided to the Company from the IPO. Note 8 includes these amounts combined with amounts paid to the Directors for services provided to former parent company (Entertainment Magpie Group Limited) prior to that date. The comparative information relates to Directors' remuneration of the former parent company.

9. Staff numbers

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

	Group 2021	Group 2020	**Company 2021**	Company 2020
Office and administration	**198**	159	**11**	–
Warehouse	**449**	459	**–**	–
Total	**647**	618	**11**	–

The aggregate payroll costs of these persons were as follows:

	Group 2021 £000	Group 2020 £000	**Company 2021 £000**	Company 2020 £000
Wages and salaries	**18,083**	16,337	**1,027**	–
Social security costs	**1,188**	1,256	**164**	–
Other pension costs	**317**	165	**5**	–
Equity-settled share-based payments (see Note 24)	**17,379**	381	**5,908**	–
Total	**36,967**	18,139	**7,104**	–

In addition to the above payroll costs, a further £2,040,000 (Year ended 30 November 2020: £869,000) has been capitalised as it relates to website and IT development costs.

Included in the above wages and salaries costs are temporary staff who were paid £3,024,000 during the year (Year ended 30 November 2020: £2,846,000).

10. Financial expense

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Interest expense on loan notes	**176**	421
Interest on bank and other loans	**209**	1,130
Interest expense on lease liabilities	**107**	197
Other non-underlying financial expense	**438**	605
Bank interest and similar charges	**369**	318
Interest expense on preference shares classified as liabilities	**–**	20
Total	**1,299**	2,691

11. Taxation

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Current tax expense		
UK corporation tax on profits for the period	**636**	54
Adjustments in respect of previous periods	**19**	–
Total current tax expense	**655**	54
Deferred tax credit		
Origination and reversal of timing differences	**(2,372)**	(1,666)
Adjustment in respect of previous periods	**(18)**	–
Effect of changes in tax rates	**(959)**	–
Total deferred tax credit	**(3,349)**	(1,666)
Total tax credit in the income statement	**(2,694)**	(1,612)
Equity items		
Current tax	**(439)**	(1,666)
Deferred tax current year credit	**(318)**	–
Total	**(757)**	(1,666)

Reconciliation of effective tax rate

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
(Loss)/profit before tax	**(14,819)**	6,958
Tax using the UK corporation tax rate of 19% (2020: 19%)	**(2,816)**	1,322
Other tax adjustments, reliefs and transfers	**923**	(164)
Adjustments in respect of prior periods – current tax	**(52)**	–
Tax rate changes	**(959)**	–
Share options	**563**	–
Deferred tax not recognised	**(124)**	–
Tax losses recognised in the period	**(229)**	(1,104)
Deferred tax recognised	**–**	(1,666)
Total tax credit in the income statement	**(2,694)**	(1,612)

12. Deferred tax

	Tax losses £000	Decelerated capital allowances £000	Share options	Others £000	Total £000
At 30 November 2020	926	512	–	228	1,666
Credited/(debited) to profit or loss	**431**	**(410)**	**3,417**	**(89)**	**3,349**
Credited/(debited) to equity	–	–	**318**	–	**318**
At 30 November 2021	**1,357**	**102**	**3,735**	**139**	**5,333**

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 in respect of carried forward losses and tangible fixed asset timing differences is calculated at 25% (2020: 19%) 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.

13. Earnings per share

	Note	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
(Loss)/profit for the period		**(12,125)**	8,570
		Number	Number
Weighted average number of shares	1,2,3	**95,680,242**	90,804,098
Diluted number of shares		**95,680,242**	90,979,098
		Pence	Pence
Basic (loss)/earnings per share (pence)		**(12.67)**	9.44
Diluted (loss)/earnings per share (pence)		**(12.67)**	9.42

Notes:

1. *Additional ordinary shares* issued as a result of the share split conducted in 2021 (see Note 26), have been incorporated in the earnings per share calculation in full without any time apportionment.
2. The adjustments made in calculating the weighted average number of ordinary and potential ordinary shares have been increased to reflect the share split in full without any time apportionment in the comparative period.
3. The above weighted average 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 24 for further details. No adjustment has been made to the diluted weighted average number of shares for shares options as these *have an antidilutive effect.*

Adjusted earnings per share is disclosed in Note 28 (Alternative Performance Measures) to show performance undistorted by adjusting items and is therefore considered to show the underlying performance of the Group.

14. Property, plant and equipment

	Right-of-use lease assets £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Rental assets £000	Computer and office equipment £000	Total £000
Cost							
Balance at 1 December 2019	4,535	3,107	267	2,423	–	3,764	14,096
Additions	–	10	18	131	63	237	459
Effect of movements in foreign currency	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–
Balance at 30 November 2020	4,535	3,117	285	2,554	63	4,001	14,555
Additions	–	**339**	**(0)**	**113**	**3,657**	**295**	**4,404**
Effect of movements in foreign currency	**3**	**1**	–	**1**	–	**1**	**6**
Impairment	–	–	–	–	**(462)**	–	**(462)**
Disposals	–	–	**(285)**	–	**0**	–	**(285)**
Balance at 30 November 2021	**4,538**	**3,457**	–	**2,668**	**3,258**	**4,297**	**18,218**
Depreciation							
Balance at 1 December 2019	1,573	2,377	255	1,662	–	3,500	9,367
Charge for the period	629	200	18	219	1	233	1,300
Effect of movements in foreign currency	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–
Balance at 30 November 2020	2,202	2,577	273	1,881	1	3,733	10,667
Charge for the period	**627**	**297**	–	**196**	**471**	**164**	**1,755**
Effect of movements in foreign currency	–	**1**	–	**1**	–	–	**2**
Impairment	–	–	–	–	**(52)**	–	**(52)**
Disposals	–	–	**(273)**	–	–	–	**(273)**
Balance at 30 November 2021	**2,829**	**2,875**	–	**2,078**	**420**	**3,897**	**12,099**
Net book value							
At 30 November 2021	**1,709**	**582**	–	**590**	**2,838**	**400**	**6,118**
At 30 November 2020	2,333	540	12	673	62	268	3,888

Company

The Company has no tangible fixed assets.

15. Intangible assets

	Goodwill £000	Website development £000	IT development £000	Proprietary software £000	Domains £000	Total £000
Cost						
Balance at 1 December 2019	4,848	1,083	4,865	3,000	53	13,849
Additions	–	181	1,290	–	–	1,471
Disposals	–	–	–	–	–	–
Balance at 30 November 2020	4,848	1,264	6,155	3,000	53	15,320
Additions	–	**195**	**2,643**	–	–	**2,837**
Disposals	–	–	–	–	–	–
Balance at 30 November 2021	**4,848**	**1,459**	**8,798**	**3,000**	**53**	**18,157**
Amortisation						
Balance at 1 December 2019	–	977	3,523	1,182	19	5,701
Charge for the period	–	77	879	300	5	1,261
Disposals	–	–	–	–	–	–
Balance at 30 November 2020	–	1,054	4,402	1,482	24	6,962
Charge for the period	–	**79**	**1,132**	**300**	**5**	**1,517**
Disposals	–	–	–	–	–	–
Balance at 30 November 2021	–	**1,133**	**5,534**	**1,782**	**29**	**8,479**
Net book value						
At 30 November 2021	**4,848**	**325**	**3,263**	**1,218**	**24**	**9,679**
At 30 November 2020	4,848	210	1,753	1,518	29	8,358

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

Goodwill arising from the acquisition of Entertainment Magpie Holdings Limited in September 2015 is allocated to a single cash-generating unit ('CGU') being the Group as a whole. This represents the lowest level in the business at which goodwill is monitored for internal reporting purposes.

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 2021	30 November 2020
Period on which management approved forecasts are based	**4 years**	4 years
Growth rate applied beyond approved forecast period	**2%**	2%
Discount rate (post tax rate)	**8.17%**	9.05%

The four-year forecasts are based on the Directors' expectation, adjusted for known factors and have been approved by the Board.

The growth rates used in the value in use calculation reflects the long-term historical growth in GDP for the economies in which the CGU is located. The discount rates used were determined by reference to the funding structures in place.

The key assumptions upon which management have based their cash flow projections are sales growth rates, selling prices, gross margins and overhead growth to support the increased sales.

The calculated value in use significantly exceeded the carrying value of goodwill and management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to exceeds its recoverable amounts so no further sensitivity calculations were necessary to conclude there was no impairment.

16. Investments

Company

	In subsidiaries £000
Cost and net book value	
At the beginning of the year	–
Additions	14,285
At the end of the year	**14,285**

Additions in the year relate to the Group restructure resulting in musicMagpie plc becoming the ultimate holding Company.

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 2021.

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

The following Dormant subsidiaries of musicMagpie Plc were dissolved in the year to 30 November 2021:

That's Entertainment Retail Limited*	United Kingdom	Ordinary	100%	Dormant
Bradley Street Limited*	United Kingdom	Ordinary	100%	Dormant
Zoverstocks Limited*	United Kingdom	Ordinary	100%	Dormant

* Held indirectly via Entertainment Magpie Group Limited.

^ the Company has met the relevant conditions for the Directors to take advantage of the exemption conferred by s479A of the Companies Act 2006.

18. Inventories

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Goods for resale	**8,019**	6,835
Total	**8,019**	6,835

Goods for resale recognised as cost of sales in the year ended 30 November 2021 amounted to £67,840,000 (Year ended 30 November 2020: £74,297,375). The write-down of inventories to net realisable value and reversals are included in cost of sales.

The Company's closing stock value is £nil (2020 – £nil).

19. Trade and other receivables

	Group 2021 £000	**Company 2021 £000**	Group 2020 £000	Company 2020 £000
Trade receivables	**786**	**–**	528	–
Amounts due from group companies	**–**	**11,476**	–	–
Other receivables	**443**	**–**	429	–
Prepayments and accrued income	**2,496**	**–**	1,551	–
Total	**3,724**	**11,476**	2,508	–

Information related to the Group's exposure to credit risk, market risk and impairment losses on receivables are included in Note 27.

20. Cash and cash equivalents

	2021 £000	2020 £000
Cash and cash equivalents	**2,849**	5,140
Total	**2,849**	5,140

The company has no cash and cash equivalents.

21. Trade and other payables

	2021 £000	2020 £000
Trade payables	**6,246**	6,971
Other taxation and social security	**601**	2,088
Other payables and accruals	**1,512**	1,822
Total	**8,359**	10,881

The company has no trade and other payables.

22. 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 27.

	2021 £000	2020 £000
Current liabilities		
Other loans	–	5,803
Interest accrued on loan notes	–	1,232
Lease liabilities	**366**	745
Total	**366**	7,780
Non-current liabilities		
Loan notes	–	4,200
Bank loans	**887**	–
Shares classified as debt	–	1,240
Lease liabilities	**1,557**	1,820
Total	**2,444**	7,260
Falling due within one year	**366**	7,780
Falling due after more than one year	**2,557**	7,457
Total	**2,923**	15,237
Unamortised debt issue costs	**(113)**	(197)
Total interest-bearing loans and borrowings	**2,810**	15,040

On 5 February 2021, the Group refinanced with the introduction of a £10m three-year committed Revolving Credit Facility ('RCF') repaying existing bank debt included in other loans in the process. This agreement which runs until 5 February 2024 also includes an additional uncommitted accordion option facility for up to a further £10m.

On the IPO, primary proceeds of £15.0m were raised, part of which were used to repay all outstanding liabilities with financing parties at this time.

The Company has no borrowings.

Terms and debt repayment schedule

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

The £10m three-year committed RCF includes a commitment fee charged on the undrawn element at SONIA + 0.8%.

30 November 2020	Currency	Interest rate	Year of maturity	Face value £000	Carrying value £000
Loan notes	GBP	10%	2022	4,200	4,200
Other loans	GBP	LIBOR + 9%	2021	6,000	5,803
Shares classified as debt	GBP	3%	2022	1,240	1,240
Lease liabilities	GBP	5%	2018 – 2027	1,235	1,235
Lease liabilities	USD	5%	2027	1,330	1,330
Total				14,005	13,808

Changes in liabilities from financing activities

30 November 2021	Loan notes £000	Other loans £000	Bank loan £000	Shares classified as debt £000	Lease liabilities £000	Total £000
Balance at 30 November 2020	5,432	5,803	–	1,240	2,565	15,040
Changes from financing cash flows						
Repayment of borrowings	**(4,200)**	**(6,000)**	**–**	**–**	**–**	**(10,200)**
Proceeds from new loan	**–**	**–**	**1,000**	**–**	**–**	**1,000**
Interest paid	**(1,408)**	**(345)**	**(105)**	**–**	**(131)**	**(1,989)**

Payment of lease liabilities	–	–	–	–	(618)	(618)
Total	**(5,608)**	**(6,345)**	**895**	**–**	**(749)**	**(11,807)**
Other changes						
Interest expense	176	345	105	45	107	778
Interest waived by the shareholders	–	–	–	(185)	–	(185)
Other movements	–	197	(113)	–	–	84
Share reorganisation	–	–	–	(1,100)	–	(1,100)
Total	**176**	**542**	**(8)**	**(1,240)**	**107**	**(423)**
Balance at 30 November 2021	**–**	**–**	**887**	**–**	**1,923**	**2,810**

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

30 November 2020	Loan notes £000	Other loans £000	Bank loan £000	Shares classified as debt £000	Lease liabilities £000	Total £000
Balance at 30 November 2019	5,197	9,482	–	1,220	3,441	19,340
Changes from financing cash flows						
Repayment of borrowings	–	(3,500)	–	–	–	(3,500)
Interest paid	(186)	(1,914)	–	–	(243)	(2,343)
Payment of lease liabilities	–	–	–	–	(846)	(846)
Total	(186)	(5,414)	–	–	(1,089)	(6,689)
Other changes						
New leases	–	–	–	–	16	16
Interest expense	421	1,735	–	20	197	2,373
Total	421	1,735	–	20	213	2,389
Balance at 30 November 2020	5,432	5,803	–	1,240	2,565	15,040

23. 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.

Amounts recognised in the consolidated statement of financial position

Right-of-use assets	Land and buildings £000
Balance at 1 December 2019	2,962
Additions to right-of-use assets	–
Depreciation	(629)
Balance at 30 November 2020	2,333
Additions to right-of-use assets	–
Effect of movements in foreign currency	**3**
Depreciation	**(627)**
Balance at 30 November 2021	**1,709**

Lease liabilities	Land and buildings £000
Balance at 1 December 2019	3,441
Additions to lease liabilities	16
Interest expense	197
Lease payments	(1,089)
Balance at 30 November 2020	2,565
Additions to lease liabilities	–
Interest expense	**107**
Lease payments	**(749)**
Balance at 30 November 2021	**1,923**

Amounts recognised in the consolidated income statement

Land and buildings	**Year ended 30 November 2021 £000**	Year ended 30 November 2020 £000
Depreciation charge on right-of-use assets	**627**	629
Interest on lease liabilities	**107**	197
Total	**734**	826

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 2021	**1,923**	**2,205**	**454**	**346**	**1,316**	**89**
30 November 2020	2,565	2,954	729	454	1,223	548

24. 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 £317,000 (Year ended 30 November 2020: £275,000).

Share-based payments

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 options are exercisable only on the occurrence of an exit event of the Company (such as a sale or listing) and will lapse, to the extent not already exercised, on the tenth anniversary of grant. The options are normally forfeitable if the employee leaves the Group before the options are exercised unless holders of not less than one half of the total number of A ordinary shares agree otherwise. 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 (Year ended 30 November 2020: £381,000)

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

	30 November 2021		30 November 2020	
	Number of share options	**Weighted average exercise price (£)**	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of year	**29,900**	**£0.01**	29,900	£0.01
Granted during the year	**116,734**	**£0.01**	–	–
Reclassification and bonus issue of share options on Group reorganisation (Note 25)	**11,065,979**	**£0.01**	–	–
Exercised during the year	**(2,016,711)**	**£0.01**	–	–
Outstanding at the end of the year	**9,195,902**	**£0.01**	29,900	£0.01
Exercisable at the end of the year	**9,195,902**	**£0.01**	–	–

The fair value of the share options at the grant date was calculated using a Monte Carlo option pricing model.

Measurement inputs and assumptions are as follows:

	30 November 2021	30 November 2020
Fair value at grant date (£)	**17,283,941**	952,016
Expected volatility (%)	**45**	30
Option life (years)	**0.2**	2.5
Expected dividends (%)	**–**	–
Risk-free interest rate (% based on zero coupon UK Government bonds)	**0.6**	0.8

The expected volatility is based on a group of quoted comparator companies over a two- and three-year historical period prior to the grant date.

The Group recognised total expenses of £17,379,000 related to equity-settled share-based payment transactions during the year (Year ended 30 November 2020: £381,000).

25. 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 9.65% of the voting shares of the Group.

Group

The compensation of the Directors, including amounts paid for services provided to the Directors of the former parent company (Entertainment Magpie Group Limited) totalled £638,000 (Year ended 30 November 2020: £491,000). See Note 8 for further details.

Compensation for other members of the SLT not included in the above totalled £986,000 (Year ended 30 November 2020: £501,000).

In addition, equity-settled share-based payment charges and Employers NI with key management personnel totalled £17,276,000 (Year ended 30 November 2020: £499,000).

Other related party transactions

The below transactions related to Northern Entities (shareholder)

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Interest on loan and Non-Executive Director fee charges	**176**	474
Waived interest on preference shares	**(185)**	–
Non-Executive and monitoring fees	**20**	53

Transactions with the Employee Benefit Trust

On 8 February 2021, the Intertrust Employee Benefit Trust Limited (Company No. 78262 resident in Jersey) was established to act as trustee of the musicMagpie Employee Benefit Trust ('EBT'). The trustee entered into a Linking Agreement under which the EBT agreed to satisfy share options award to Directors and employees.

Details of the transactions with, and the shares issued to the EBT can be found in Note 26. On the Initial Public Offering, the EBT transferred 2,016,711 shares to individuals exercising share options that had vested. 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 £408,000 (Year ended 30 November 2020: £0) and compensation for other members of the Senior Leadership Team £624,000.

In addition, equity-settled share-based payment charges and Employers NI with the Directors totalled £17,200,000.

Other related party transactions

The below transactions related to Northern Entities (shareholder)

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Interest on loan and Non-Executive Director fee charges	**37**	–
Non-executive and monitoring fees	**4**	–

Transactions with the Employee Benefit Trust

On 8 February 2021, the Intertrust Employee Benefit Trust Limited (Company No. 78262 resident in Jersey) was established to act as trustee of the musicMagpie Employee Benefit Trust ('EBT'). The trustee entered into a Linking Agreement under which the EBT agreed to satisfy share options award to directors and employees.

Details of the transactions with, and the shares issued to the EBT can be found in Note 26. On the Initial Public Offering, the EBT transferred 2,016,711 shares to individuals exercising share options that had vested. 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.

26. Capital and reserves

Share capital

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

	Ordinary shares 1 Dec 2019 Number	Ordinary shares 30 Nov 2020 Number	Shares issued on incorporation Number	Subdivision of shares Number	Shares issued to Employee Benefit Trust Number	Exercise of warrant Number	Subdivision of shares Number	Ordinary shares issued Number	Share reclassification Number	Reclassification into Deferred Shares Number	Shares issued Number	Ordinary shares issued on IPO Number	Cancel Deferred Shares Number	**Ordinary shares 30 Nov 2021 Number**
A Ordinary shares of £0.01 each	375,000	375,000	–	–	–	–	–	–	(375,000)	–	–	–	–	**–**
B Ordinary shares of £0.01 each	–	–	–	–	–	175,000	–	–	(175,000)	–	–	–	–	**–**
C1 Ordinary shares of £0.01 each	100	100	–	–	–	–	–	9,900	(10,000)	–	–	–	–	**–**
C2 Ordinary shares of £0.01 each	341,500	341,500	–	100	–	–	–	–	(341,600)	–	–	–	–	**–**
D1 Ordinary shares of £0.01 each	11,000	11,000	–	–	34,400	–	–	–	(45,400)	–	–	–	–	**–**
D1(A) Ordinary shares of £0.05 each	16,600	16,600	–	–	–	–	66,400	–	(83,000)	–	–	–	–	**–**
D2 Ordinary shares of £0.05 each	35,000	35,000	–	–	–	–	140,000	–	(175,000)	–	–	–	–	**–**
E Ordinary Shares of £2.00 each	1,500	1,500	–	–	–	–	298,500	–	(300,000)	–	–	–	–	**–**
F Ordinary Shares of £0.05 each	20,000	20,000	–	–	–	–	80,000	–	(100,000)	–	–	–	–	**–**
G Ordinary Shares of £0.01 each	–	–	–	–	56,117	–	–	–	(56,117)	–	–	–	–	**–**
H Ordinary Shares of £0.01 each	–	–	–	–	56,117	–	–	–	(56,117)	–	–	–	–	**–**
Preference shares of £1.00 each	1,100,000	1,100,000	–	–	–	–	108,900,000	–	(110,000,000)	–	–	–	–	**–**
Deferred Shares	–	–	–	–	–	–	–	–	–	110,790,017			(110,790,017)	**–**
Ordinary Shares of £1 each	–	–	1	(1)	–	–	–	–	–	–	–	–	–	**–**
Ordinary Shares of £0.01 each	–	–	–	–	–	–	–	–	111,717,234	(110,790,017)	99,072,783	7,772,020	–	**107,772,020**
Total Share Capital (£'000)	14	14	–	–	1	2	1,100	–	–	–	991	78	(1,108)	**1,078**

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

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

The following steps were taken in connection with the Group Reorganisation since the incorporation of the Company.

On 5 February 2021:

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

On 8 February 2021:

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

On 11 February 2021:

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

On 30 March 2021:

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

On 31 March 2021:

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

On 15 April 2021:

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

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

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

Share premium

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

Capital redemption reserve

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

Translation reserve

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

Merger reserve

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

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

27. Financial instruments and risk management

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

- Credit risk
- Liquidity risk
- 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. 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 objectives, 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, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

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

Exposure to credit risk

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Trade and other receivables	**1,228**	957
Cash and cash equivalents	**2,849**	5,140
Total	**4,077**	6,097

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

		Contractual cash flows				
30 November 2020	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	8,794	8,794	8,794	–	–	–
Loan notes	5,432	5,432	–	5,432	–	–
Other loans	5,803	6,523	6,523	–	–	–
Bank loans	–	–	–	–	–	–
Shares classified as debt	1,240	1,265	–	–	1,265	–
Lease liabilities	2,565	2,954	729	454	1,223	548
Total	23,834	24,968	16,046	5,886	2,488	548

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 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 had 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 2021 £000	30 November 2020 £000
Fixed rate instruments		
Loan notes	–	4,200
Lease liabilities	**1,923**	2,565
Shares classified as debt	–	1,240
Total	**1,923**	8,005
Variable rate instruments		
Bank loans	**946**	–
Other loans	–	5,803
Total	**946**	5,803

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have decreased equity and profit or loss by £74,000 (2020: £100,000). This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date.

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

Currency risk

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

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

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

	30 November 2021			30 November 2020		
	GBP Sterling £000	**US Dollars £000**	**Total £000**	GBP Sterling £000	US Dollars £000	Total £000
Cash and cash equivalents	**2,348**	**501**	**2,849**	4,309	831	5,140
Trade and other receivables	**783**	**445**	**1,228**	548	409	957
Trade and other payables	**(6,734)**	**(1,024)**	**(7,758)**	(7,084)	(1,710)	(8,794)
Borrowings	**(887)**	**–**	**(887)**	(11,235)	–	(11,235)
Preference shares classed as debt	–	–	–	(1,240)	–	(1,240)
Lease liabilities	**(835)**	**(1,088)**	**(1,923)**	(1,235)	(1,330)	(2,565)
Total	**(5,325)**	**(1,166)**	**(6,491)**	(15,937)	(1,800)	(17,737)

The following significant exchange rates were applied:

	30 November 2021	30 November 2020
Average rate for the financial period		
US Dollars	**1.38**	1.29
Balance sheet rate		
US Dollars	**1.33**	1.33

Sensitivity analysis

A 10% weakening of the US Dollar against the Pound Sterling at 30 November 2021 would have increased equity and profit or loss by £0.1 million (2020: £0.2 million). This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

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

Fair values

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

Basis for determining fair value

All financial assets and liabilities of the Group are categorised as Level 3. The fair value of each class of financial assets and liabilities is the carrying amount, based on the following assumptions:

- Interest-bearing loans and borrowings and lease liabilities
- Trade receivables, trade and other payables and cash and cash equivalents
- Fair value is calculated based on the discounted expected future principal and interest cash flows
- The fair value approximates to the carrying value because of the short-term maturity of these instruments.

The carrying and fair value of financial assets and liabilities are as follows:

	30 November 2021 £000	30 November 2020 £000
Trade and other receivables	**1,228**	957
Cash and cash equivalents	**2,849**	5,140
Total financial assets	**4,077**	6,097
Bank overdraft	**–**	–
Borrowings	**(887)**	(11,235)
Preference shares classed as debt	**–**	(1,240)
Lease liabilities	**(1,923)**	(2,565)
Trade and other payables	**(7,758)**	(8,794)
Total financial liabilities	**(10,568)**	(23,834)

28. 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.

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
(Loss)/profit before tax	**(14,819)**	6,958
Equity-settled share-based payments	**17,379**	381
Other non-underlying items	**4,621**	1,282
Non-underlying financial expense	**718**	605
Adjusted profit before tax	**7,899**	9,226

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

Adjusted EBITDA

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

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Adjusted profit before tax	**7,899**	9,226
Depreciation of property, plant and equipment	**1,755**	1,300
Impairment of property, plant and equipment	**410**	–
Loss on disposal of property, plant and equipment	**12**	–
Amortisation of intangible assets	**1,517**	1,261
Financial expense	**581**	2,086
Adjusted EBITDA	**12,174**	13,873

Adjusted earnings per share

Adjusted EPS represents adjusted profit before tax divided by a weighted average number of shares in issue and is disclosed to indicate the underlying profitability of the Group.

	Note	**Year ended 30 November 2021 £000**	Year ended 30 November 2020 £000
Adjusted profit before tax	1	**7,899**	9,226
Weighted average number of shares	2	**107,772,020**	107,772,020
Adjusted earnings per share (pence)		**7.33**	8.56

Notes:

1. Adjusted profit before tax means (loss)/profit before tax before equity-settled share-based payments and other non-underlying items.
2. The number of ordinary shares as at 30 November 2021 have been used as the basis for the current and prior periods adjusted EPS calculation. This represents an indication of the future weighted average number of ordinary shares for evaluating performance of the Group.

Adjusted operating cash flow

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

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Adjusted EBITDA	**12,174**	13,873
Movements in working capital	**(4,922)**	(612)
Adjusted operating cash flow	**7,252**	13,261

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 2021 £000	Year ended 30 November 2020 £000
Net cash generated from operations (from Consolidated Cash Flow Statement)	**2,631**	11,979
Other non-underlying items	**4,621**	1,282
Cash generated from operations before non-underlying items paid	**7,252**	13,261
Adjusted EBITDA	**12,174**	13,873
Cash conversion %	**59.6%**	95.6%

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.

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Cash and cash equivalents	**2,849**	5,140
Loans and accrued loan interest	**(887)**	(11,235)
Unamortised loan arrangement fees	**(113)**	(197)
External loans	**(1,000)**	(11,432)
Net cash/(debt)	**1,849**	(6,292)

29. Subsequent events

On 17 December 2021, the Group entered into a lease assignment in respect of its leased property at Galleon House, Newby Road, Hazel Grove. The assignment saw it take on all rights and obligations under a 63-year lease dated 21 December 1967 and ending on 21 December 2030, securing its tenancy and removing the previous tenant, Oxendale & Company Limited, from whom it previously sublet, from the lease.

The lease liability, not reflected in these financial statements, measured at the present value of the lease payments that are not paid at the commencement date, discounted using the current incremental borrowing rate of 2.5% has been calculated as £1,831,215.

[Planting Trees to Catch Carbon logo]

[musicMagpie logo]

First Floor

One Stockport Exchange

Railway Road

SK1 3SW

https://www.musicmagpie.co.uk