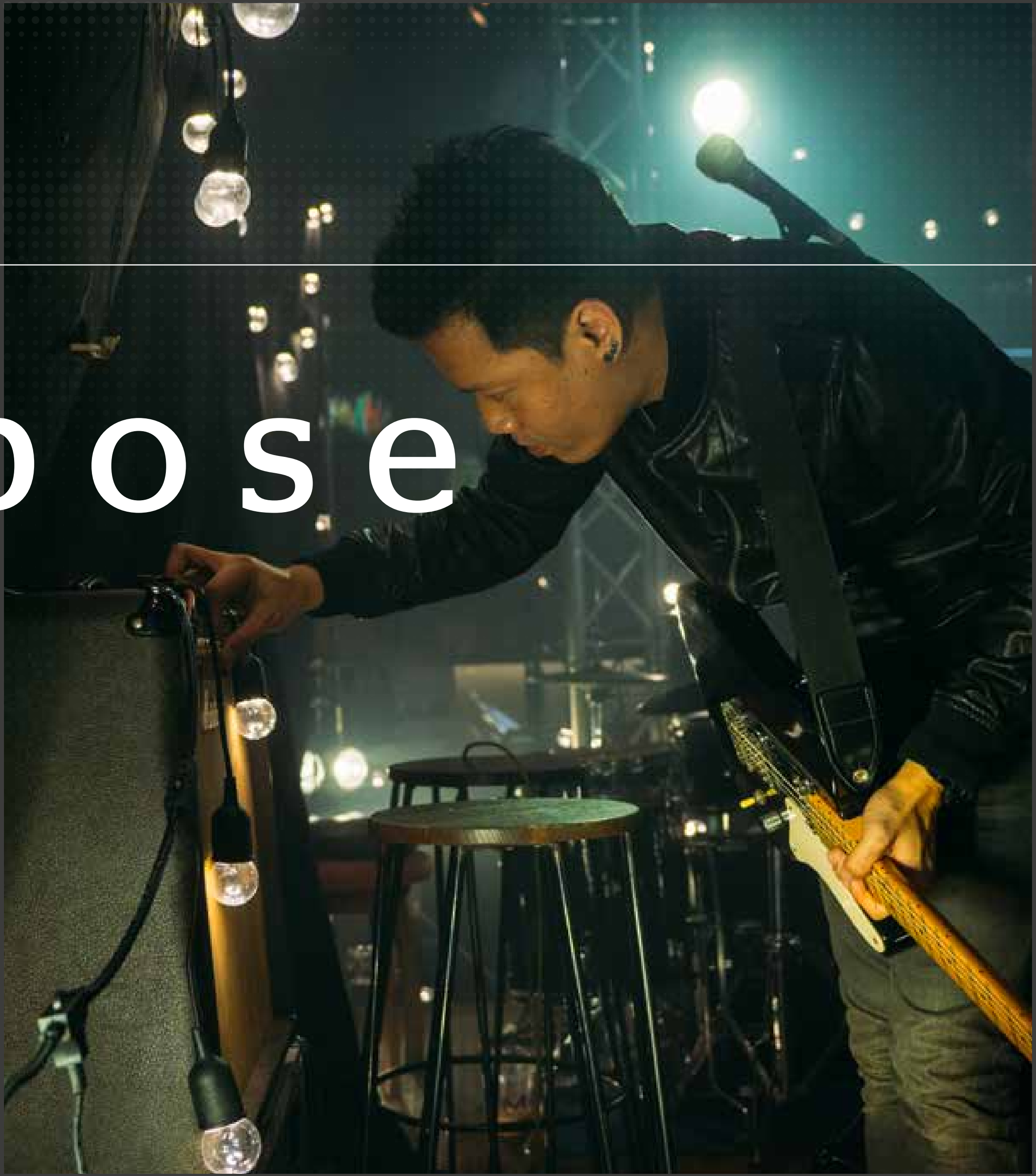
Turning up the volume

Gear4music (Holdings) plc
Annual Report and Accounts **2024**

our purpose



As a dynamic e-commerce business, we are well positioned and well capitalised to take maximum advantage of opportunities within the £5.0bn European market.

Who we are

We are the largest UK-based retailer of musical instruments, music equipment and Audio-Visual ('AV') equipment. We have a track record of strong growth and delivering our strategic objectives.

FOR MORE ABOUT GEAR4MUSIC GO TO:
WWW.GEAR4MUSICPLC.COM

Highlights

Whilst our drive for long-term growth remains unabated, our focus in FY24 was on reducing our cost-base and increasing efficiency and delivering working capital improvements to materially improve our net debt position.

We have delivered the affirmative action that we set out to, delivering a cost reduction programme to improve underlying profitability, which puts us in a strong position to deliver our long-term profitable growth ambitions when markets return to more 'normal' conditions.

As a result of these actions the Group has delivered a second significant annual net debt reduction, from a year-end peak of £24.2m at 31 March 2022 down to £7.3m at 31 March 2024.

With a committed £30m Revolving Capital Facility ('RCF') in place until at least June 2026, the Group has the certainty and resources required to take advantage of opportunities as and when they arise.

A highlight of the year was the launch of our unique Second-Hand proposition in March 2023. From a standing start, we have acquired over 7,500 second-hand items from consumers. The resale of these products is already a high-growth sales vertical in FY25, with significant potential for expansion.

TOTAL REVENUES £m
£144.4m
-5%

2024	**144.4**
2023	152.0
2022	147.6

CONVERSION RATE %
3.93%
-2BPS

2024	**3.93**
2023	3.95
2022	4.06

ADJUSTED EBITDA £m
£9.9m
+34%

2024	**9.9**
2023	7.4
2022	11.2

UK REVENUES £m
£83.1m
+1%

2024	**83.1**
2023	82.0
2022	82.6

WEBSITE USERS m
23.7m
-11%

2024	**23.7**
2023	26.5
2022	28.8

ADJUSTED EBITDA MARGIN %
6.9%
+210BPS

2024	**6.9**
2023	4.8
2022	7.6

At a glance

Gear4music is an online retailer of musical instruments and music equipment and, since 2021, of Audio-Visual ('AV') equipment, including HiFi speakers and home cinema systems. Gear4music operates 21 websites in 15 languages and 9 currencies.

Gear4music is the largest retailer of musical instruments and music equipment in the UK. Launched in 2003 by Chief Executive Officer Andrew Wass, revenue has grown six-fold from £24m in FY15 to £144m in FY24.

The Group operates from a Head Office in York, Distribution Centres in York, Bacup, Sweden, Germany, Ireland & Spain, and showrooms in York, Sweden & Germany.

Gear4music sells own-brand musical instruments and music equipment alongside well-known premium brands including Yamaha, Roland and Fender, to customers ranging from beginners to musical enthusiasts and professionals. The Group has been selling into Europe since 2012 and the Rest of the World since 2017.

Gear4music continues to invest in developing its own bespoke e-commerce platform, with multilingual, multicurrency and fully responsive design websites localised to 19 countries, to rapidly expand the customer database, and build an increasing overseas presence.

The Group retails 63,000 'Stock-Keeping-Units' ('SKUs') across all major musical instrument and equipment categories, sourced from 1,096 manufacturers, and range from £1 kazoos to digital pianos, drum kits and guitars costing thousands of pounds.

Revenue by Category

	% OF PRODUCT SALES			
	FY24	FY23	FY22	FY21
Guitars & Bass	**29%**	29%	31%	35%
Keyboards & Pianos	**15%**	16%	18%	22%
PA, DJ & Lighting	**23%**	23%	19%	11%
Recording & Computers	**11%**	11%	13%	16%
Drums & Percussion	**11%**	11%	10%	9%
Woodwind, Brass, Strings	**6%**	6%	6%	6%
Other inc. Home Audio & Visual	**5%**	4%	2%	1%
	100%	100%	100%	100%

Note to table: Categories totalling 5% or less of product revenue are included in 'other'.

FY24 revenue by category was broadly flat on FY23, with growth in 'Home Audio & Visual'.

FY23 saw continuing growth in live-sound categories such as PA, DJ and lighting as gigging and festivals returned, and growth normalised in some of the categories that saw rapid growth through Covid such as studio and recording and guitar products.

GROUP RETAILS

63,000

'Stock-Keeping-Units' ('SKUs')

home studio






Our Products

Gear4music
All

Archer
String Instruments: Violins, Cellos, Violas & Double Bass

RedSub
Bass Guitar Amps & Pedals

SubZero
Guitars, Amps, Mixers, Speakers & Audio electronics

WHD
Drum Kits

Rosedale
Woodwind Instruments: Clarinets, Flutes, Oboes & Piccolos

Coppergate
Brass Instruments: Trumpets, Trombones, Tubas & French Horns

Playlite
Lightweight instruments

Hartwood
Guitars and accessories

Eden
Bass amplification

Premier
Drum kits and accessories

Premier NXT GEN
Value focused drum brand

G4M
New premium brand featuring a wide range of products across all categories targeting intermediate and professional musicians, producers and engineers

VISION
New range of affordable and ergonomic musical instruments focused designed for the beginner market

AVCOM
New: Our Audio-Visual brand covering all main AV categories including Hi-Fi, Home Cinema, Accessories

modul studio solutions
New: modul studio furniture is designed with a focus on ergonomics, functionality, and aesthetics. The modular nature of the furniture allows creative types to achieve a high-quality workspace, unique to them, from the comfort of their home

VOXLINK
New: Wireless system solutions including compact and full size in ear monitors and microphones for instruments, voice and cameras

Websites

Website	Country	Currency	Languages
www.gear4music.com	UK	Pound Sterling	English
www.gear4music.ie	Ireland	Euro	English
www.gear4music.fr	France	Euro	French, English
www.gear4music.es	Spain	Euro	Spanish, English
www.gear4music.pt	Portugal	Euro	Portuguese, English
www.gear4music.de	Germany	Euro	German, English
www.gear4music.be	Belgium	Euro	Dutch, French, German, English
www.gear4music.nl	Netherlands	Euro	Dutch, English
www.gear4music.dk	Denmark	Danish Krone	Danish, English
www.gear4music.no	Norway	Norwegian Krone	Norwegian, English
www.gear4music.se	Sweden	Swedish Krona	Swedish, English
www.gear4music.fi	Finland	Euro	Finnish, English
www.gear4music.it	Italy	Euro	Italian, English
www.gear4music.ch	Switzerland	Swiss Franc	German, French, Italian, English
www.gear4music.at	Austria	Euro	German, English
www.gear4music.pl	Poland	New Zloty	Polish, English
www.gear4music.cz	Czech Republic	Czech Crown	Czech, English
www.gear4music.si	Slovenia	Euro	Slovenian, English
www.gear4music.sk	Slovakia	Euro	Slovak, English
www.gear4music.com/us	USA	US Dollar	English, Spanish
www.AV.com	UK, Germany	Pound Sterling & Euro	English, German

WEBSITE USERS

23.7m

-11%

stage

Our history

1995
CEO and founder Andrew Wass was a sound recording engineer in 1995 when he identified an opportunity to supply small recording studios and educational establishments with personal computer-based digital recording solutions.

2003
Andrew began to research the potential to retail own-brand beginner level musical instruments, with the intention of opening up the market by selling at lower prices than traditional music shops. After visiting several international exhibitions in the USA and China, Andrew placed a bulk order for guitars and listed them for sale on the then new gear4music.com website. The website generated £0.7m of revenue in its first full year of trading.

2012
A private equity investor invested in the Group providing the funding to further develop the e-commerce platform.

2013
The Group relocated to its current UK-distribution centre in York in 2013 adding significant distribution and storage capacity, and shortly after opened a 9,000 square foot showroom.

2015
The Group listed on the Alternative Investment Market ('AIM') of the London Stock Exchange generating £4.4m of growth capital.

2016
The Group opened a Swedish distribution centre and followed this up in 2017 with the opening of a second European distribution centre in Germany.

rewind

2017

The Group acquired a software development business which brought software development in-house, and later that year acquired a 50,000 square foot freehold office property in York and relocated the Head Office team to the new headquarters.

Opened a second European distribution centre in Germany.

2018

In response to continued Scandinavian growth, the Group relocated and expanded its Swedish distribution centre to add further capacity to meet demand over coming years.

2021

March/June

The Group acquired 'Eden', a Bass guitar amplification brand previously owned by Marshall Amplification, and followed this with the acquisition of 'Premier', a Drums and Percussion brand with a rich musical heritage dating back to 1922.

2021

September

The Group opened new distribution centres in Ireland and Spain to address lingering post-Brexit challenges, and improve the Group's European delivery proposition into adjacent markets.

2021

December

The Group acquired AV Distribution Ltd, an online retailer of Home Cinema and HiFi equipment and separately the 'AV.com' domain. This business was transferred onto the Group's highly scalable e-commerce platform and rebranded to 'AV.com', marking Gear4music's entry into what Management believes to be a £400m UK audio video market that is currently dominated by high-street based retailers, and significantly increases our addressable market size.

2023

March

The Group launched its second-hand platform marking its entry into the circular economy. The Group developed its own proprietary trade-in system that simplifies the process for consumers of selling their equipment, providing instant trade-in prices across thousands of products.

fast forward

Chairman's statement

As we stated heading into the year, whilst our drive for long-term growth remains unabated, our focus in FY24 was on reducing our cost-base and increasing efficiency, and delivering working capital improvements to materially improve our net debt position. This was reflective of a period of uncertainty for many retailers and consumers, with high inflation and interest rates weighing on consumer confidence and disposable income, and therefore we shifted our short-term focus accordingly to address these challenges.

dialing up

Having served the Group since IPO in 2015 and been part of the remarkable growth journey in that time, I am approaching the end of my nine-year tenure and intend to step down on 5 July 2024.

To underpin the new structure and provide strong, independent challenge and support, I am delighted to report that Neil Catto and Sharon Daly have agreed to join the Board as Senior Independent Director and Non-Executive Director respectively. Both bring significant relevant experience, and skills that will complement and improve the capability of the existing Board.

KEN FORD
CHAIRMAN

REVENUES
£144.4m
-5%

ADJUSTED EBITDA
£9.9m
+34%

Operational and Commercial progress

I am pleased that the Group has delivered the affirmative action that we set out to, delivering a cost reduction programme to improve underlying profitability, which puts us in a strong position to deliver our long-term profitable growth ambitions when markets return to more 'normal' conditions.

As a result of these actions the Group has delivered a second significant annual net debt reduction, from a year-end peak of £24.2m at 31 March 2022 down to £7.3m at 31 March 2024. With a committed £30m Revolving Capital Facility ('RCF') in place until at least June 2026 secured by £75.2m of assets including £7.6m of freehold properties, the Group has the certainty and resources required to take advantage of opportunities as and when they arise.

Board changes

Having served the Group since IPO in 2015 and been part of the remarkable growth journey in that time, I am approaching the end of my nine-year tenure and intend to step down on 5 July 2024. It has been an honour and privilege to serve and I want to extend my heartfelt thanks to Andrew and the Board, our whole team, and all stakeholders for their commitment to the business and enthusiasm. Looking back, this period has seen significant growth with challenges to overcome along the way but, today, our business stands significantly stronger, a testament to the collective efforts and dedication of our team.

Having also served as a Non-Executive Director for over nine years, Dean Murray has decided to retire from the Board. I wish Dean well for the future and on behalf of the whole Gear4music team thank him for his significant contributions dating back to 2012, and particularly for his efforts since IPO as Audit Committee Chair and as a member of the Remuneration and Nomination Committees.

Ahead of these changes the Board and Nominations Committee diligently evaluated revised Board structures to ensure the best outcomes for all stakeholders and, having consulted with our advisors and certain of the Company's major shareholders, we concluded matters and announced that Andrew Wass will move from CEO to Executive Chair and Gareth Bevan, current CCO, will move to CEO. Chris Scott's and Harriet Williams' (CFO and NED respectively) roles and responsibilities remain unchanged.

To underpin the new structure and provide strong, independent challenge and support, I am delighted to report that Neil Catto and Sharon Daly have agreed to join the Board as Senior Independent Director and Non-Executive Director respectively. Both bring significant relevant experience and skills that will complement and improve the capability of the existing Board.

I am confident that the diverse skills and experience of the restructured Board will continue to drive transformative change. I extend my best wishes to the new team on their journey towards sustainable and profitable growth and I am confident that they will continue to drive Gear4music forward.

Outlook

The Board is confident that the Group's customer proposition, operational infrastructure and balance sheet will enable the Group to achieve its long-term business objectives, namely delivering profitable growth and maintaining its market leading position in the UK and Europe.

KEN FORD
CHAIRMAN
24 June 2024

Environmental, Social and Governance

We are committed to having a positive impact on our society, the environment, and our team. We acknowledge there is increasing interest from a wide range of stakeholders on the various impacts that our business has, and what we are doing to improve outcomes, and this year we are pleased to include our first TCFD-aligned Climate Report for the financial year ending 31 March 2024. We aim to improve the depth and quality of our reporting over the coming years, better informing and enabling us to reduce our environmental impact wherever there is the opportunity.

the volume

Our proprietary second-hand trade-in system

NUMBER OF PRODUCTS ACQUIRED

>7,500

SEE STRATEGY IN ACTION ON PAGE 20

Investment case

five reasons to invest

Competitive Advantages and Barriers to Entry

Gear4music is well positioned to capitalise on the opportunities available within its markets, due to barriers to entry and our unique competitive advantages:

- We are an agile, predominantly online retailer, with a well-recognised brand
- We are the UK's largest retailer of musical instruments and music equipment
- Our bespoke e-commerce platform provides a high degree of operational flexibility and scalability which the Directors believe cannot easily be replicated
- A strong own-brand offering has been developed over 21 years, and has established a reputation for 'good' and 'better' quality products at affordable prices, whilst providing enhanced margin opportunities
- We have developed long-term relationships with the major branded musical instrument and music equipment manufacturers, placing us in a strong position during a period of retailer consolidation
- We have proven and scalable distribution capabilities
- The Directors and senior management have an intimate knowledge of the musical instrument and music equipment market

KEY STRENGTH

1. Track record of success – long-term revenue and market share growth

REASONS

- UK revenues trebled since FY16, from £26.0m to £83.1m in FY24
- European revenues increased sixfold since FY16, from £9.5m to £59.2m in FY24, validating European strategy and improving localised proposition
- Email database of 1.83m registered users, with 0.80m active customers

REGISTERED USERS ON EMAIL DATA BASE

1.83m

KEY STRENGTH

2. Bespoke and proprietary e-commerce platform delivers competitive advantage

REASONS

- End-to-end solution encompassing all aspects of trading operations
- 30 in-house software developers providing cost effective development
- Currently supports 21 websites, 15 languages and 9 currencies
- Capacity to handle significantly increased volumes and website traffic
- Ability to rapidly respond to changing customer behaviours and expectations
- Capability to expand into new territories and markets
- Additional functionality in continuous development

WEBSITE USERS

23.7m

KEY STRENGTH

3. Specialist knowledge facilitates strong relationships with customers and suppliers

REASONS

- Strong, committed and experienced management team
- Employees with in-depth specialist knowledge
- Expertise means Gear4music is trusted by major musical instrument and music equipment brands
- Offers a wide range of choice to customers and provides specialist advice during and after the sales process

KEY STRENGTH

4. Well-developed product ranges

REASONS

- 63,000 products from 1,096 brands
- Reputation for quality and value for money
- 5,300 own-brand SKUs, developed over a 21-year period
- Enhanced margin opportunities as volumes increase

KEY STRENGTH

5. Efficient logistics systems

REASONS

- Operates from six modern facilities with a combined 370,000 square feet footprint
- The most appropriate courier delivery services are automatically selected from more than 38,900 permutations depending on the weight, size, value and destination of the goods being purchased

COMBINED FOOTPRINT OF SIX MODERN FACILITIES

370,000 sq ft

Chief Executive's statement

Business review

I am incredibly grateful to our entire team for their outstanding performance in achieving our key objectives during FY24. Our primary goals were to enhance our margins and profitability and at the same time reduce net debt and lower our cost base. Thanks to their dedication and hard work, we have successfully met these targets.

At the beginning of FY24, we communicated our intention to prioritise these objectives over revenue growth. Having now achieved two consecutive years of significant Net Debt reduction, the Group is well-positioned to focus on growth initiatives, whilst continuing to improve profitability.

A highlight of the year was the launch of our unique Second-Hand proposition in March 2023. From a standing start, we have acquired over 7,500 second-hand items from consumers. The resale of these products is already a high-growth sales vertical in FY25, with significant potential for expansion.

We also implemented several significant upgrades to our website throughout the year. These enhancements include improved on-site search functionality and an upgraded customer review platform. With a view to boosting productivity, we integrated multiple AI-based systems and process enhancements.

The expansion of our in-house product design and development capacity allowed us to launch 485 new own-brand products. This aligns with our strategy of enhancing our proposition and improving product margins, further reinforcing the strength of our market position.

In summary, FY24 has been a year of strategic progress and laying the groundwork for future growth. We are well-equipped to pursue our growth initiatives from a solid foundation of reduced debt, enhanced efficiency, and a strong product offering.

Strategy

Our refreshed Profitable Growth Strategy for FY25 is built on four key pillars designed to drive growth and enhance our market position:

1. Transform our platform by integrating artificial intelligence at its core
2. Enhance our product offerings
3. Diversify our channels to market
4. Expand our sales verticals by establishing new operations in Europe

amplifying

Our primary goals for FY24 were to enhance our margins and profitability and at the same time reduce net debt and lower our cost base. Thanks to the dedication and hard work of our team, we have successfully met these targets.

FY24 has been a year of strategic progress and laying the groundwork for future growth. We are well-equipped to pursue our growth initiatives from a solid foundation of reduced debt, enhanced efficiency, and a strong product offering.

Our refreshed Profitable Growth Strategy for FY25 is built on four key pillars designed to drive growth and enhance our market position.

ANDREW WASS
CHIEF EXECUTIVE OFFICER

Transform our platform by integrating artificial intelligence at its core

This will boost productivity and elevate the customer experience through unique solutions in our market, such as our innovative second-hand system, which we expect to significantly increase our market share.

Enhance our product offerings

This includes scaling up our second-hand and digital download propositions, developing and launching a greater number of best-in-class own-brand products, and exploring additional strategic brand partnerships. These initiatives are designed to ensure value for money while simultaneously strengthening our market share. Additionally, we will evaluate opportunities to acquire legacy brands as they arise, such as Premier, to further broaden our own-brand portfolio.

Diversifying our channels to market

We will integrate with new European marketplaces and develop affiliate programmes, leveraging influencers to expand our reach. Where appropriate, these efforts will be driven and informed by AI to maximise their effectiveness.

Expand our sales verticals by establishing new operations in Europe

This expansion, focused on our hub network, aims to drive market share in Europe and enhance our purchasing, marketing, and fulfilment operations within the region. Furthermore, we will explore new opportunities in the USA, India, and Southeast Asia to broaden our global footprint.

Board changes

I would like to extend my heartfelt thanks to Ken and Dean for their invaluable contributions over the past nine years. Their wise counsel and dedication have been instrumental to our success, and we are deeply appreciative of their service.

We are excited to welcome Neil Catto as Senior Independent Director and Sharon Daly as a Non-Executive Director, effective 5 July 2024. We are eager to work with Neil and Sharon and are confident that their expertise and insights will significantly enhance our Board's capabilities. Additionally, I look forward to collaborating with Gareth in his new role as CEO. The transition will ensure seamless continuity within our leadership team, and after twelve years of working with Gareth in his role as Chief Commercial Officer, I firmly believe there is no better person to be Gear4music's CEO.

In my new role as Executive Chair, I will continue to spearhead our strategic initiatives and oversee our growth strategy. I am committed to providing support to our team and stakeholders wherever needed, ensuring that we achieve our goals and maintain our long-term trajectory of success.

Thank you for your continued support during this exciting transition.

Outlook

During FY24, we implemented a wide range series of strategic actions designed to mitigate the impact of a weaker consumer environment. This was the right thing to do, and these measures have paid off, strengthening our foundation ensuring we are well positioned to capitalise on emerging opportunities and leaving us well-prepared for the future.

We are optimistic about our prospects for further profitable growth during FY25 and have launched our refreshed growth strategy with strategic priorities aligned to driving growth and continuing our commitment to driving innovation, expanding our market reach, and delivering exceptional value to our customers. Our strategic initiatives are beginning to bear fruit, and our efforts to strengthen our financial position and operational capabilities have set the stage for sustainable long-term growth.

ANDREW WASS
CHIEF EXECUTIVE OFFICER
24 June 2024

our strategy

Financial KPIs

	FY24	FY23	Change on FY23
Revenue*	**£144.4m**	£152.0m	(5%)
UK Revenue*	**£83.1m**	£82.0m	1%
International Revenue*	**£61.3m**	£70.0m	(12%)
Gross margin	**27.3%**	25.7%	+160bps
Gross profit	**£39.4m**	£39.0m	1%
Total Admin expenses including redundancy costs*	**£37.7m**	£38.7m	(3%)
European Admin expenses*	**£4.9m**	£5.0m	(2%)
Reported EBITDA	**£9.4m**	£7.4m	28%
Adjusted EBITDA**	**£9.9m**	£7.4m	34%
Profit/(loss) before tax	**£0.6m**	(£0.4m)	£1.0m
Adjusted profit/(loss) before tax	**£1.1m**	(£0.4m)	£1.5m
Net debt***	**(£7.3m)**	(£14.5m)	£7.2m

* See Note 2 of the Financial Statements.
** Defined as Reported EBITDA less one-off redundancy costs. See Note 1.20 to the Financial Statements.
*** See Notes 16 and 17 of the Financial Statements.

Commercial KPIs

	FY24	FY23	Change on FY23
Website users	**23.7m**	26.5m	(11%)
Conversion rate	**3.93%**	3.95%	(2bps)
Average order value	**£153**	£150	2%
Active customers	**799,000**	865,000	(8%)
Products listed	**63,000**	64,200	(2%)

See page 25 for Commercial KPI definitions.

SEE GROWTH STRATEGY ON PAGES 16 TO 22

Market overview

turning up the volume

Market Overview – Musical Instruments and Equipment

In 2022 Music Trades estimated the global music products markets in 2021 to be $19.2bn of which $6.2bn was online. In 2023 Music Trades estimated that the 'Top 50 global online retailers' were growing at 2.2% per annum with the broader market trending down by a comparable amount; Gear4music was ranked the fifth largest global online retailer.

The top ten European retail markets for musical instruments and music equipment (including the UK) are worth an estimated £5.0bn and are undergoing a shift towards online retail.

Top European Markets

Country	Estimated Market Size (£m)*
Germany	1,394
France	1,006
UK	877
Italy	675
Netherlands	235
Austria	211
Spain	193
Switzerland	164
Sweden	125
Norway	96
Total Size	**4,976**

* Management estimate.

The Board believes that the dynamics of the UK competitive landscape presents a continuing consolidation opportunity. Whilst acquisitions of retail businesses do not form a core part of the current strategy, opportunities are reviewed on an ad hoc basis.

Market Overview – AV.com addressable market

Management estimates the addressable European market size to be £2.7bn.

Our Business – Overview

Gear4music is about making quality music gear more accessible and affordable for all musicians. Our mission is to become the best musical instrument and equipment retailer in Europe, and we believe we can achieve this by leveraging technology to deliver an industry-leading customer experience, providing the products our customers want delivered to them quickly and efficiently.

Our specialist market knowledge helped us to become the largest retailer of musical instruments and equipment in the UK, and we continue to make good progress in Europe. A bespoke e-commerce platform allows us to efficiently operate 21 websites (listed on page 3), in 15 languages and 9 currencies, and as we develop this platform further, widen our product ranges and increase our marketing reach and brand recognition, we strongly believe we can continue to grow our share of the £5.0bn European market and expand our reach beyond this.

In FY22 the Group entered the related Audio-Visual market and is beginning to leverage its assets, skills and expertise to build market share.

Enhance Product Offer

Overview

We continue to refine our product ranges with a focus on margin-enhancing opportunities and leverage our international buying teams to widen our procurement options. Further development of our highly successful own-brand ranges remains a priority, dealing directly with factories and manufacturers. A highly specialised purchasing team, combined with our European distribution capability and bespoke e-commerce platform makes our business unique.

Margin-enhancing initiatives such as second-hand will be prioritised.

FOR MORE DETAILS, SEE OUR GROWTH STRATEGY ON PAGE 22

Progress
At 31 March 2024 we have 63,000 products listed, a net 2% decrease in 12-months as low margin, slower-moving SKUs are delisted once sold through.

Whilst only representing 9% of SKU's, own-brand product sales accounted for 26% of revenue in FY24 and FY23, with several new lines developed and launched in the year and set for release in FY25. Progress in FY24 included the launch of the new G4M brand, and the introduction of new product series including VISION, modul studio solutions, and VOXLINK – see page 3. We launched 485 new own-brand products in the year.

Following the successful launch of our second-hand platform in March 2023 and subsequent European and AV.com rollout, we will rapidly scale our second-hand proposition and increase as a proportion of sales.

In 2022 the Group acquired the Eden and Premier brands, and we will continue to explore other brand acquisition opportunities.

Diversify Channels to Market

Overview
We use our bespoke technology, rich content and digital marketing initiatives to extend our reach into new and existing territories and markets and build customer trust by delivering a first-rate customer experience.

We will continue to invest in international marketing, extending our reach and penetration into existing and new international territories. New website content is constantly being added, including broadcast quality product demonstration videos created in Gear4music's in-house studio facilities.

We will also look to develop new channels to market to reduce our reliance on PPC, using influencers, affiliates and social media, and integrating with marketplaces across Europe.

Progress
Gear4music.com enjoys a Trust Pilot Rating of 4.7 from 132,000 reviews, and AV.com rates 4.9 from 2,700 reviews reflecting our 'customer first' approach, the incredible efforts our team makes, and the attention to detail that is required to build customer trust and loyalty. We will continue to learn from our customers and use our technical resource to design the new solutions required to satisfy an evolving market.

Paid-marketing activities are data driven and highly return on investment focused, and investment continues to target higher-margin product groups. Marketing efficiency measured as marketing cost as a % of sales was flat on FY23 at 7.0%.

We continue to develop our social media presence and have 79,000 followers on Facebook, 35,500 on Instagram, and 21,700 on X. Our YouTube channel has 95,500 subscribers and has had over 77.8 million views since its launch in 2007.

Expand Sales Verticals

Overview
We continue to develop and improve our customer proposition in each of the territories we operate. We will achieve this by further localising our websites to drive traffic and improve conversion, enhancing our multilingual customer service teams, expanding our international buying teams, and refining our delivery options to increase speed and convenience.

We will add an additional European operation by 2025.

Progress
With international sales of £61.3m in what is an $18bn market outside of the UK, international expansion continues to represent a significant opportunity and focus for the Group. Localising our websites and customer experience is at the core of our growth strategy, and during the year we have invested in translation, marketing and our multilingual customer service team, and improved our local delivery and payment options.

In FY22 we expanded our European footprint and opened distribution centres in Ireland and Spain to reduce cross-border order fulfilment and further enhance our proposition in Ireland and Southern Europe. In FY23 and FY24 we have focused on increasing throughput and efficiency to leverage our European assets.

We have well-established showrooms in Sweden and Germany to physically showcase our products, build our brand in the area, and create local buying opportunities.

European Distribution Capacity Overview
Significant expansion capacity

UK Hubs, York & Bacup
- Hub in Bacup acquired with AV Distribution Ltd
- Total UK inventory capacity: **£25m**, sales capacity: **£125m**
- Serves UK and ROTW

Irish Hub, Dublin
- Inventory capacity: **£2.5m**, sales capacity: **£15m**
- Serves Ireland & Northern Ireland

Central European Hub, Mülheim
- Extended inventory capacity: **£9m**, sales capacity: **£35m**
- Serves Germany & Europe

Northern European Hub, Stockholm
- Inventory capacity: **£8m**, sales capacity: **£60m**
- Serves Scandinavia & Europe

Southern European Hub, Barcelona
- Inventory capacity: **£7m**, sales capacity: **£40m**
- Serves Spain & Southern Europe
- Provides additional bulk storage capacity for other European hubs

Business model

HOW WE WORK

We believe a successful…

…e-commerce business requires a unique combination of talented staff, excellent products, efficient systems, robust physical operations and reliable delivery partners.

Staff

We have a strong, committed and experienced management team, working alongside passionate staff with in-depth knowledge of their specialist area of focus.

Products

Our own-brand product ranges have taken over 21 years to develop, working with some of the best manufacturers from around the world to ensure we build on our reputation for great quality at affordable prices. In addition, we have built strong relationships with the industry's biggest brand names, including Yamaha, Roland, Fender and many more.

Premises

The Group currently operates from 370,000 square feet of operational space – 160,000 square feet across two sites in the UK, 77,000 square feet in Sweden, 72,000 square feet in Germany, 46,000 square feet in Spain and 15,000 square feet in Ireland.

Our 50,000 square feet freehold Head office provides back-office facilities sufficient to support the business into the long-term.

Systems

Our bespoke and proprietary e-commerce platform is an end-to-end solution covering all aspects of retail operations, including website content, inventory management, multi-currency pricing, logistics and dispatch, CRM, automated marketing, purchasing, customer receipts and management reporting.

We believe this platform is a cornerstone of our business and source of competitive advantage, delivering reliability, scalability and unique functionality, and we have an in-house team of dedicated programmers constantly improving our systems with new features and functionality.

Delivery

Reliable delivery with competitive pricing is fundamental to our proposition and success. Our e-commerce platform is configured to select the most cost-effective delivery options from 23 different delivery service providers, to provide our customers with a class-leading range of delivery options.

OUR SERVICE

We believe that achieving…

…a very high degree of customer satisfaction is fundamental to sustained long term growth, and we are committed to continually improving the service experienced by our customers.

We leverage our technology and empower our specialist staff to ensure key touchpoints deliver a market leading experience, and monitor our progress carefully using independent sources such as TrustPilot.

Specialist staff

In FY24 we employed 484 people across five countries, and many have first-hand musical instrument and equipment knowledge, playing in bands and producing their own music. Ongoing product training is routinely undertaken to ensure staff have relevant and up to date knowledge to enable them to advise customers.

Multilingual support for overseas customers in non-English speaking countries continues to be a key investment focus, and a pre-requisite for many of the Group's dealership agreements when selling outside the UK.

AVERAGE NUMBER OF EMPLOYEES

484

ACROSS FIVE COUNTRIES

accessible

OUR CUSTOMERS

Customer Overview

Gear4music's customer base is primarily made up of private individuals (over 96%), from beginners and parents buying musical instruments and music equipment for their children, through to professional musicians. The Group supplies schools and other educational establishments and a small number of trade accounts.

On 31 March 2024 we had 1.83m people registered to receive our email communications, up 11% from 1.65m at 31 March 2023.

Active customers of 0.80m (being customers who have purchased from Gear4music during the previous 12 months), are down 8% on FY23 (0.86m), broadly in line with sales. The Group acquired a further 0.67m new customers in the period (FY23: 0.74m), and 0.16m customers returned to place at least one follow-up order (FY23: 0.17m).

Average order value of £153 was marginally up on FY23 (£150) reflecting cost price inflation.

1.83m

PEOPLE SUBSCRIBED ON OUR EMAIL DATABASE

Customer engagement

Effective communication with our customers is central to understanding their needs and wants, and developing our customer proposition. We monitor and respond to Trustpilot reviews, and look to learn from things that didn't meet the customer's expectation.

We invest significant resource in generating high quality engaging content, in terms of product descriptions, and studio quality photographic and video content.

Improving customer experience is a key objective when designing and implementing software development projects.

OUR PRODUCTS

Product range

At the year-end we listed 63,000 products from 1,096 manufacturers.

Branded products

Gear4music has developed long-term partnerships with many well-recognised brands within the music products industry, who rely on the specialist product knowledge of Gear4music's staff, the high standard of customer service that Gear4music provides, and the high standard of presentation both online and at the Gear4music showrooms.

Own-brand products

On-going development of Gear4music's own-brand product range has been a focus since Gear4music.com was launched in 2003, and now covers a wide and varied range with 5,300 products listed.

In 2021 Gear4music acquired the Eden and Premier brands respectively, and we continue to explore opportunities to acquire legacy brands.

63,000

PRODUCTS FROM 1,096 MANUFACTURERS

5,300

OWN-BRAND PRODUCTS LISTED

affordable

Growth strategy

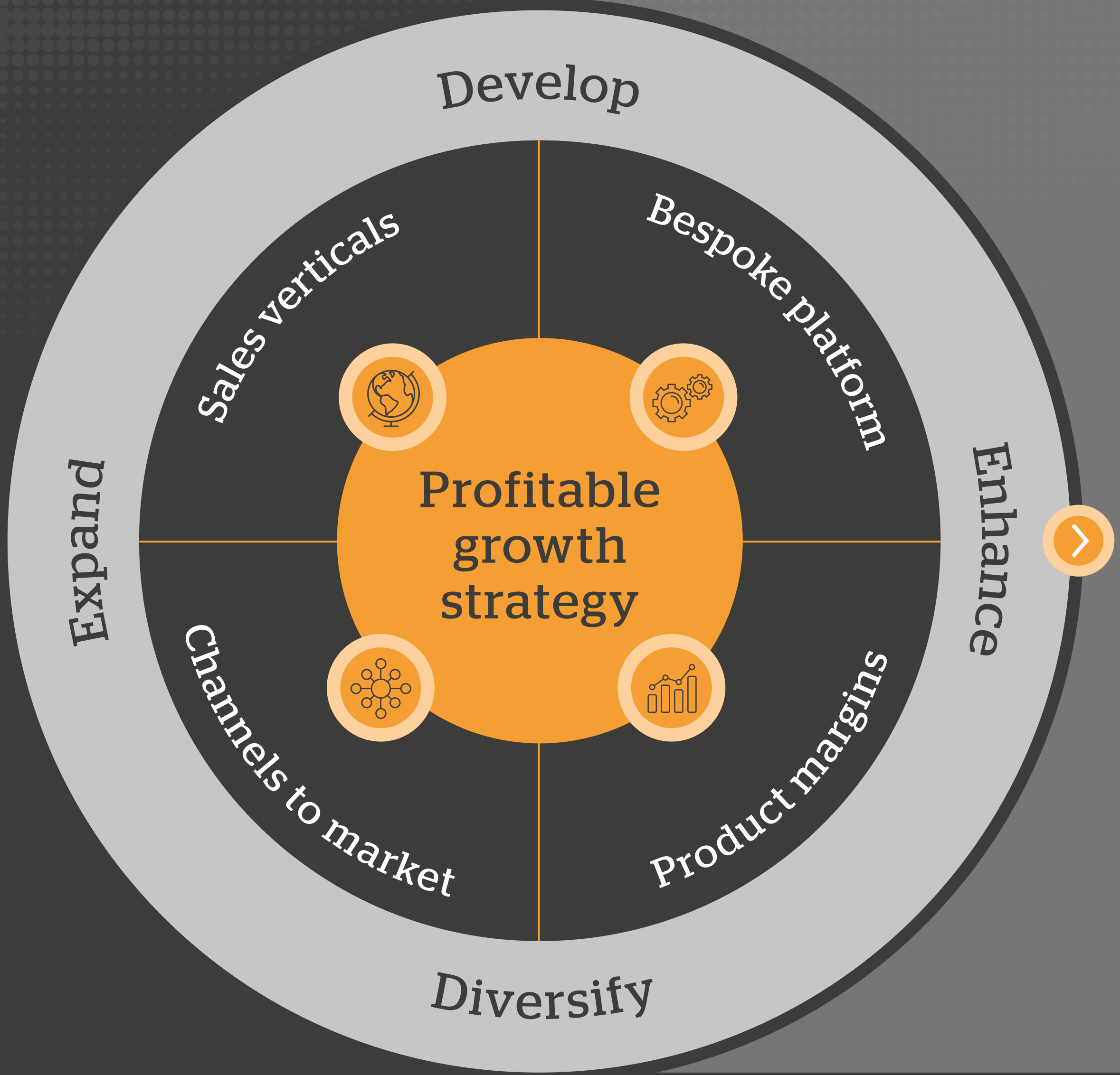
Gear4music's Profitable Growth Strategy is built around four pillars of growth:

Develop bespoke platform
- Develop Artificial intelligence across the business
- Enhance User experience and backend systems
- Diversify through development tools and third-party applications
- Expand Second-hand and Digital download functionality

Enhance product offer
- Develop second-hand product sales
- Enhance Own-brand product development
- Explore additional Brand acquisitions
- Expand strategic brand partnerships

Diversify channels to market
- Develop integrations with new European platforms
- Enhance data, systems and reporting tools
- Add new channels to reduce reliance on PPC
- Expand influencers, affiliates, social and brand building

Expand sales verticals
- Develop additional European operations by 2025
- Enhance European purchasing, fulfilment and marketing
- Explore opportunities in USA, Australia and India
- Expand Second-hand, Digital downloads and AV.com



	Bespoke platform	Product offer	Channels to market	Sales verticals
Develop	**Artificial intelligence across our business** • AI-First Approach: Integrate artificial intelligence; optimise efficiency & UX • Build on AI already used in content creation, marketing & customer service SEE STRATEGY IN ACTION ON PAGE 18	**Second-hand product sales** • YR1 Product margins of 37% on £1.1m revenues; >£4m FY25 forecast revenue based on current run-rate • Medium term opportunity of £10m+ revenue @ 40% product margin SEE STRATEGY IN ACTION ON PAGE 20	**European marketplace integrations** • Drive own-brand sales in Europe; integrate with more Marketplaces • Marketplaces account for a large share of European e-commerce sales	**Additional European operations by 2025** • Expand European footprint to support European growth • Potential to establish low-cost own-brand focused mini-hubs from 2025
Enhance	**User experience & backend systems** • Continuous rollout of UX upgrades (e.g. new 'site search' in May 2024) • New Forecasting & Purchasing system currently in development	**Own-brand product development** • **>45%** FY24 Product margins on **£38m** revenue • Medium term opportunity of **£60m+** following accelerated investment into product development team SEE STRATEGY IN ACTION ON PAGE 22	**Data, systems and reporting tools** • Enhanced data structures enable integration with AI & third party tools • Upgraded data systems improve marketing efficiency & accelerate channel expansion	**European purchasing, fulfilment & marketing** • New senior role to lead European purchasing, supported by expanded marketing channels • Additional European Distributor integrations by FY26
Diversify	**Development tools & third party applications** • Drive Efficiency and Productivity through systems and data automation • Integrate specialist third party apps to reduce in-house development costs	**Explore additional brand acquisitions** • Premier brand acquired in FY22 is scaling up (FY24 sales: **£1m**) • Potential for further legacy brand acquisitions	**Additional marketing channels to reduce reliance on PPC** • PPC accounted for 86% of advertising spend in FY24 • Plan to increase number of marketing channels and reduce reliance on PPC	**Explore opportunities in USA, India, SE Asia** • Additional English speaking retail markets under evaluation • Potential to extend own-brand Distribution and Licence agreements
Expand	**Second hand & digital download functionality** • Unique Second-hand proposition demonstrating high growth in **$8bn*** Global market • Expand Digital software downloads; Specialist competitor generates **£20m+** in download revenue	**Strategic brand partnerships** • Consolidate SKU ranges; focus on higher margin products • Work closely with selected brand partners to maximise margin opportunities	**Influencers, affiliates, social & brand building** • Influencer model is showing early promise; plan in place to scale-up • UK affiliate programme already in place, refreshed European affiliate roll-out underway	**Second-hand, digital downloads & AV.COM** • Second-hand revenue growing quickly; further investment will accelerate growth • AV.com positioned for growth following rebuilding of the proposition

* Source: Music Trades.

Growth strategy in action

Bespoke platform development | Develop

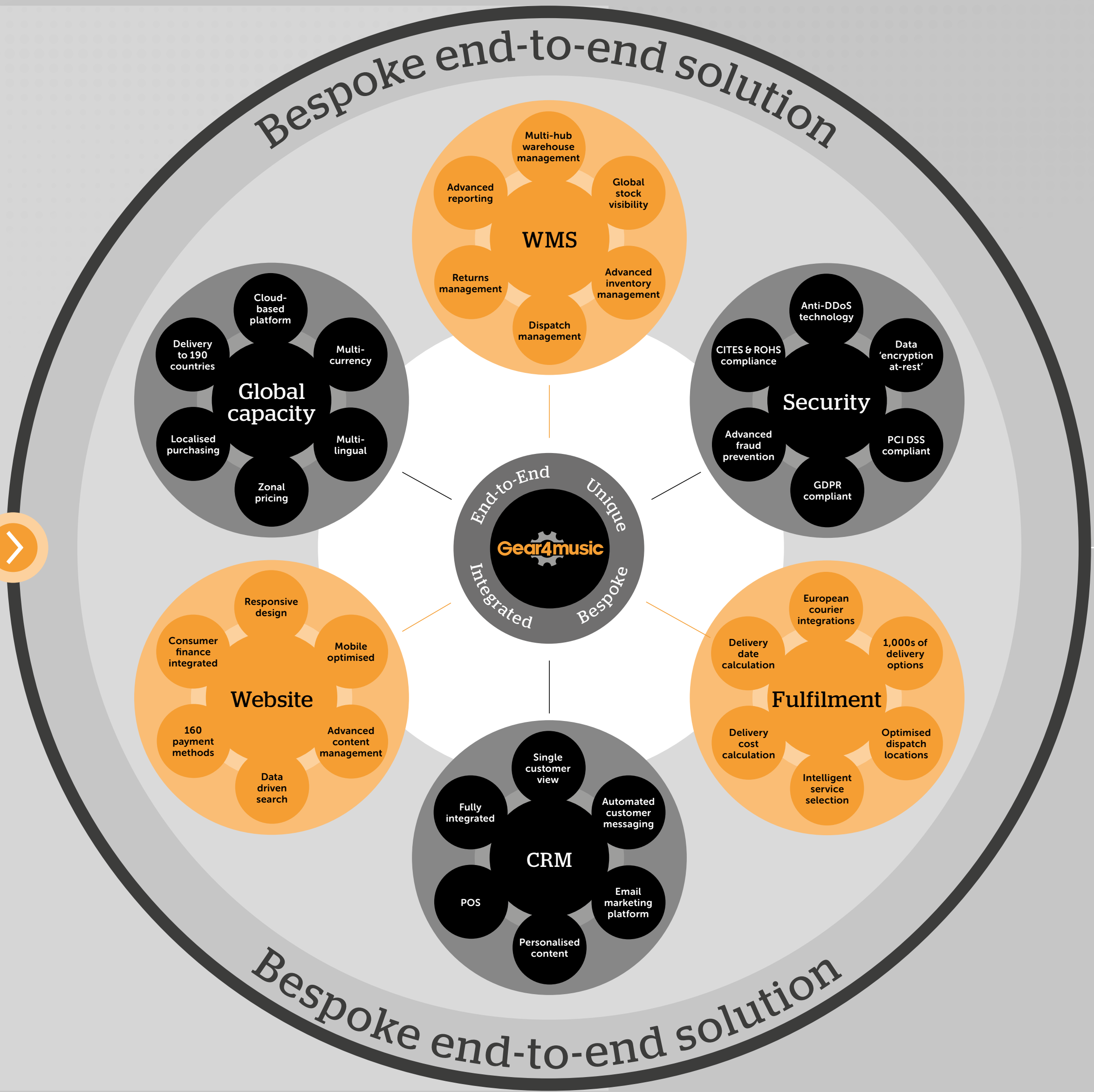
Overview

Our websites are driven by our bespoke and proprietary e-commerce platform, designed to maximise opportunities and deliver competitive advantage in our niche market. It has the capacity to handle significantly increased volumes, and the capability to expand into new markets.

Having in-house software development resource helps deliver cost-effective investment in platform development and enables us to respond quickly to changing customer behaviours and expectations, by rapidly developing new features and functionality.

We continue to develop our proprietary e-commerce platform to drive website traffic, optimise conversion rates and maximise operational efficiencies. We have delivered some exciting new developments in FY24 and have more planned for FY25.

Maximise



Progress

With over **23 million** website users in the year, conversion rates of **3.9%**, **799,000** active customers, and **163,000** repeat customers, our e-commerce strategy continues to prove effective.

Our bespoke e-commerce platform is the cornerstone of our success and a major competitor differentiator, and our development team of 30 (31 March 2023: 84) have worked tirelessly to design and deploy updates and upgrades during the year. Alongside important infrastructure improvements, launches have included improved on-site search functionality, an upgraded customer review platform, and launching second-hand across Europe and on AV.com.

Going forward we will adopt an 'AI-First Approach' to future development as far as we reasonably can, and integrate artificial intelligence to optimise efficiency and user experience.

opportunities

Growth strategy in action

Bespoke platform development | **Expand**

Unique Gear4music second-hand proposition demonstrating high growth

The durable nature of our products makes them prime for recycling, and the launch of our proprietary second-hand trade-in system marks our entry into and commitment to the circular economy across our product categories.

> Our second-hand system simplifies the process for consumers of selling used musical instruments and equipment and provides value and peace of mind for our customers when buying second-hand products. It ensures the lifespan of products is maximised, whilst enabling enhanced margin opportunities for the business.

ANDREW WASS
CHIEF EXECUTIVE OFFICER

EUROPEAN MARKET WORTH
€1bn+
Management estimate

NUMBER OF PRODUCTS AVAILABLE FOR TRADE-IN
17,200
as of 2 April 2024

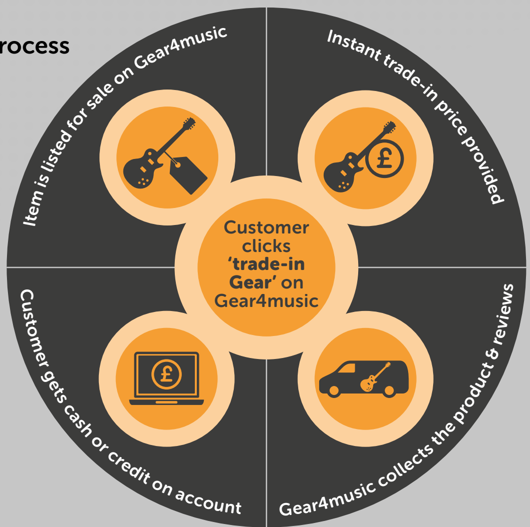
from acoustic to

Our proprietary second-hand trade-in system

Overview

- Proprietary Second-Hand trade-in system launched March 2023
- Unique positioning within the market, designed to simplify equipment trade-in
- At 2 April 2024 had 17,200 products available for trade-in

Process



Customer advantages

- Quick and simple process
  - No photography required
  - No postage or delivery payment required
  - No buyer communications
- Payment and delivery risks eliminated
- Increased offer value for credit on account
- Convenient way to recycle old equipment

Gear4music advantages

- Access to a wide range of equipment to sell
- Significant proportion of customers choose credit on account:
  - Leads to additional customer sales
  - Better resale margins than 'other' brands
  - More interesting website content:
    - Increased search traffic
    - SEO benefits

Results

- European roll-out August 2023; AV.com launched February 2024
- FY24 sales: £1.1m at 37% product margin
- Processed over 9,600 trade-in requests
- 48% of customers chose credit on account


amplification

Growth strategy in action

Product margins | **Enhance**

Own-brand product development

G4M
A new musical instrument and technology brand targeting intermediate and professional musicians, producers and engineers with premium spec, high-quality products, covering the guitar, keys, live and studio categories.

G4M confidently distinguishes itself from its competitors with a fresh and informed approach to product design, ensuring enhanced functionality and an improved user experience.

modul studio solutions
Gear4music modul studio furniture is designed with a focus on ergonomics, functionality and aesthetics. The modular nature of the furniture allows creative types to achieve a high-quality workspace, unique to them, from the comfort of their home.

VISION
The perfect starting point – VISION is designed to provide an affordable and ergonomic solution for learning to play your favourite musical instrument. Our aim is to offer a comprehensive and enjoyable learning experience for our beginner audience. By targeting market leading price points, the VISION brand is perfectly positioned to compete at the lower end of the market for musical instruments. The range currently comprises 32 SKUs covering VISIONDRUM, VISIONKEY and VISIONSTRING.

in harmony with

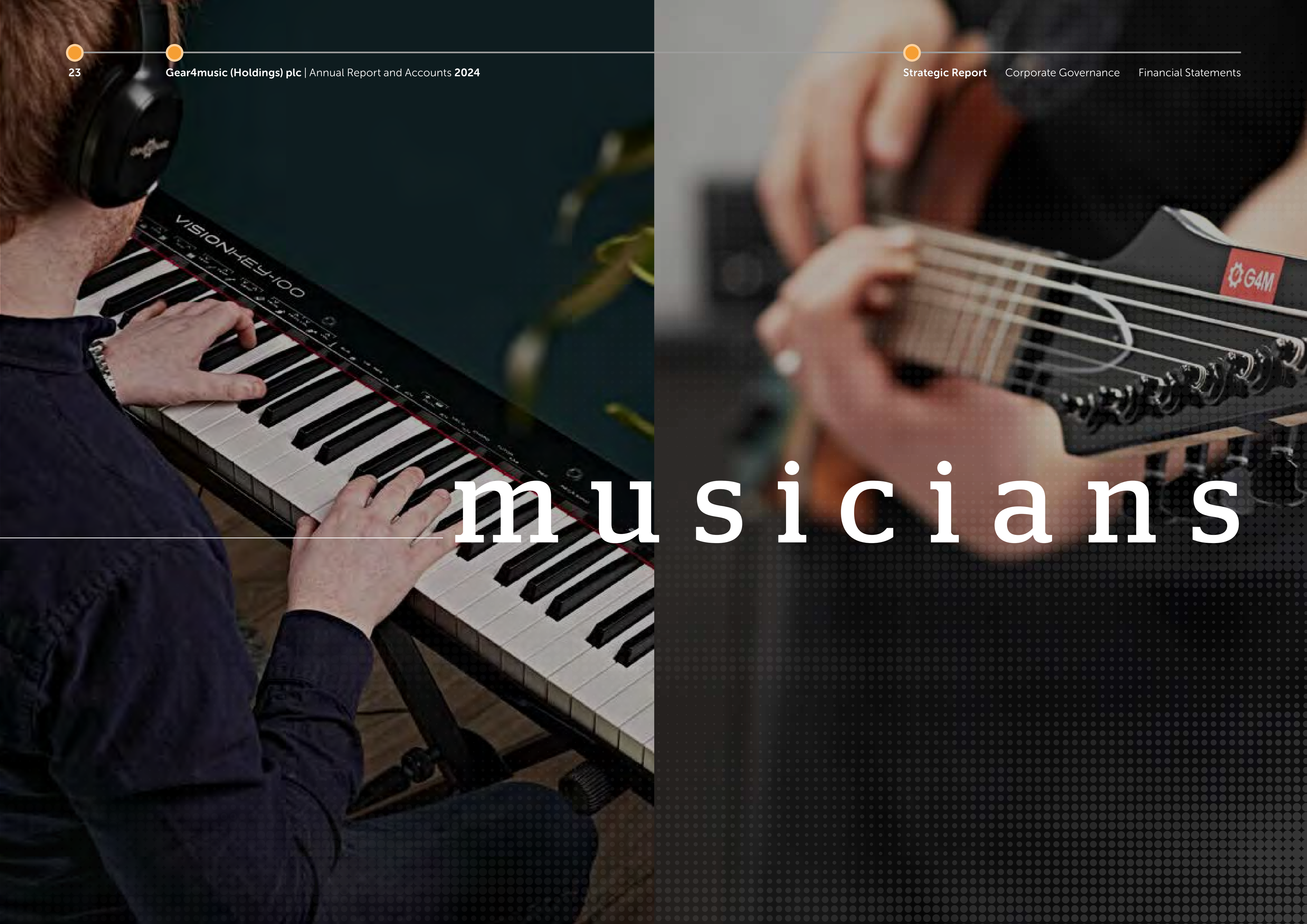
NUMBER OF PRODUCTS
5,300

OWN-BRAND REVENUE
£37.6m
>45% product margins

G4M

VISION

modul studio solutions



musicians

Key Performance Indicators

We measure ourselves against a number of KPIs that reflect the key trading trends and are linked to our strategic pillars of growth.

enhanced performance

Financial

REVENUE (£m)

£144.4m

-5%

	Revenue (£m)
2024	**144.4**
2023	152.0
2022	147.6
2021	157.5
2020	120.3

GROSS MARGIN (%)

27.3%

+160bps

	Gross margin (%)
2024	**27.3**
2023	25.7
2022	27.9
2021	29.4
2020	25.9

NET (DEBT)/CASH (£m)

£(7.3)m

£7.2m

	Net (debt)/cash (£m)
2024	**(7.3)**
2023	(14.5)
2022	(24.2)
2021	2.7
2020	(5.5)

Commercial

MARKETING RETURN
Marketing costs as % of total revenue (%)

7.0%

–%

2024	7.0
2023	7.0
2022	7.3
2021	5.9
2020	7.7

UNIQUE USERS (£m)

£23.7m

-11%

2024	23.7
2023	26.5
2022	28.8
2021	36.0
2020	28.4

CONVERSION (%)

3.93%

-2bps

2024	3.93
2023	3.95
2022	4.06
2021	3.69
2020	3.29

AVERAGE ORDER VALUE ('AOV') (£)

£153

+2%

2024	153
2023	150
2022	125
2021	116
2020	117

SKUs LISTED

63,000

-2%

2024	63,000
2023	64,200
2022	62,400
2021	57,900
2020	54,200

Customer

CUSTOMER EXPERIENCE
Trustpilot rank

4.7/5

2024	4.7
2023	4.7
2022	4.8
2021	4.8
2020	4.8

NUMBER OF REPEAT CUSTOMERS

162,600

–5%

2024	162,600
2023	171,600
2022	174,200
2021	205,700
2020	169,600

Definitions:

Unique Users: a distinct person who visits a G4M site during a given period

Conversion: total number of online orders divided by the total number of unique users

Average Order Value ('AOV'): total revenue (gross of credit notes) divided by the total number of orders

Repeat customers: customer in the period who has placed more than one order

Financial review

Overview

As stated in our FY23 Financial review, and against a continuing backdrop of higher inflation and interest rates than has historically been the case, it was important that we built on the good work done in FY23 in terms of reducing our cost base and inventory levels to reflect demand, sustainably improving gross margins, and materially reducing net debt. In FY24 we delivered on these priorities:

- notwithstanding inflationary pressures, Administrative expenses (excluding redundancy costs) remained 4% lower than FY23 broadly in line with sales as average headcount was reduced by 89 (16%);
- investment in software development was reduced to £3.7m (FY23: £5.3m) following the successful delivery of a number of large projects in FY23; and
- inventory reduced by £8.8m (25%) further to an £11.1m reduction in FY23.

These improvements combined to generate a £7.2m reduction in net bank debt, down to £7.3m representing 0.7x FY24 adjusted EBITDA (£9.9m) and secured by £7.6m of freehold properties within the Group.

Our underlying cost base is lower heading into FY25 and until the macro-economic climate and consumer confidence show sustained signs of recovery, tight cost control will remain a priority.

strategic

> It was important that we built on the good work done in FY23 in terms of reducing our cost base and inventory levels to reflect demand, sustainably improving gross margins, and materially reducing net debt. In FY24 we delivered on these priorities.
>
> Our underlying cost base is lower heading into FY25 and until the macro-economic climate and consumer confidence show sustained signs of recovery, tight cost control will remain a priority.

CHRIS SCOTT
CHIEF FINANCIAL OFFICER

GROSS MARGIN
27.3%
+160bps

ADJUSTED EBITDA
£9.9m
+34%

Revenue

	FY24 £m	FY23 £m	Change on FY23 %
UK revenue	**83.1**	82.0	1%
European revenue	**59.2**	67.0	(12%)
Rest of the World revenue	**2.1**	3.0	(31%)
Revenue	**144.4**	152.0	(5%)

REVENUE

£144.4m

-5%

Revenue decreased £7.6m (5%) on FY23 with a 6% decrease in H1 and 5% in H2.

UK revenue of £83.1m was £1.1m (1%) ahead of last year reflecting the strength of brand and proposition in our most mature market, and new initiatives such as second-hand being launched in the UK first. This takes our estimated UK market share to 9.5% (FY23: 9.1%).

European revenues of £59.2m were £7.8m (12%) behind FY23, reversing the £5.0m increase last year and reflecting a challenging market in certain European territories.

Revenues from sales outside of Europe accounted for 1.4% of total revenue (FY23: 2.0%).

growth initiatives

	FY24 £m	FY23 £m	Change on FY23 %
Other-brand product revenue	**100.4**	106.2	(5%)
Own-brand product revenue	**37.6**	38.9	(3%)
Carriage income	**5.8**	6.2	(6%)
Other	**0.6**	0.7	(29%)
Revenue	**144.4**	152.0	(5%)

OWN-BRAND REVENUE

£37.6m

-3%

Own-brand revenue of £37.6m was 3% (£1.3m) down on FY23, slightly better than the overall result, and accounted for 26.0% of total revenue (FY23: 25.6%) from 8.5% (FY23: 8.0%) of SKUs. It is our ambition to grow our own-brand business and to support this we have invested in our own-brand team.

Other brand revenue of £100.4m was £5.8m (5%) behind FY23.

Carriage income of £5.8m was £0.4m (6%) behind last year, representing 4.0% of total sales compared to 4.1% last year, reflecting the Group offering more localised, cheaper delivery options.

Other revenue comprises paid for extended warranty income, and commissions earned on facilitating point-of-sale credit for retail customers. The proportion of revenue coming from these sources was 0.4% of total revenue in FY24, compared to 0.5% in FY23.

Financial review continued

Gross profit

	FY24	FY23	Change on FY23
Product revenue (£m)	**138.0**	145.1	(7.1)
Product profit (£m)	**43.2**	43.6	(0.4)
Product margin	**31.3%**	30.0%	+130bps
Carriage costs (£m)	**9.4**	10.5	(0.9)
Carriage costs as % of revenue	**6.5%**	6.9%	(40bps)
Gross profit (£m)	**39.4**	39.0	0.4
Gross margin	**27.3%**	25.7%	+160bps

Notwithstanding a 5% decrease in revenue, gross profit was ahead of last year, reflecting improved product margins. In FY24 we benefited from the work done in FY23 on reducing inventory and were able to further reduce inventory through resetting reordering levels rather than through price reductions, resulting in a product margin of 31.3%, 130 basis points ahead of FY23.

The Group benefits from buying scale relative to its UK competitors, and its ability to source other-branded products in Swedish Krona and Euros and receive product directly into its European distribution centres is a point of differentiation. The Group purchases its own-brand products in US Dollars and product margin can be impacted by exchange rate fluctuations.

Administrative expenses and operating profit

Operating profit of £2.8m is £1.5m ahead of FY23 reflecting an improved gross margin and a tightly controlled cost base and includes £0.5m of one-off, non-recurring redundancy costs.

Adjusted EBITDA of £9.9m was £2.5m (34%) ahead of FY23, equating to an EBITDA margin of 6.9%.

	FY24 £m	FY23 £m	Change on FY23 £m
UK Administrative expenses	**(32.2)**	(33.7)	1.5
European Administrative expenses	**(4.9)**	(5.0)	0.1
Administrative expenses excluding redundancy costs	**(37.1)**	(38.7)	1.6
Other income	**0.9**	0.9	–
Operating profit	**2.8**	1.3	1.5
Depreciation and amortisation	**6.6**	6.1	0.5
Unadjusted EBITDA	**9.4**	7.4	2.0
Exceptional item – Redundancy costs	**0.5**	–	0.5
Adjusted EBITDA	**9.9**	7.4	2.5
Adjusted EBITDA margin	**6.9%**	4.8%	+210bps

Administrative expenses decreased by £1.6m (4%) on FY23 in-line with the 5% decrease in revenue, increasing slightly as a % of sales up from 25.5% in FY23 to 25.7%.

Combined marketing and labour costs of £23.6m (FY23: £25.0m) accounted for 64% of administrative expenses (FY23: 65%):

- Marketing expenditure decreased 5% in FY24 to £10.1m (FY23: £10.6m) equating to 7.0% of revenue in both FY24 and FY23; and
- Labour costs decreased £0.9m (6%) in FY24 to £13.5m (FY23: £14.4m) reflecting a 16% decrease in average headcount. Labour costs accounted for 9.4% of revenue (FY23: 9.5%).

Other expenses and net profit

Financial expenses of £2.2m (FY23: £1.7m) include £1.5m bank interest (FY23: £1.1m) reflecting higher SONIA interest rates, £0.4m of IFRS 16 lease interest (FY23: £0.4m), and a £0.2m net foreign exchange loss (FY23: £0.2m loss).

The Group reports a profit before tax of £0.6m (FY23: loss before tax of £0.4m) that after tax translates into basic profit per share of 3.1p and diluted profit per share of 3.0p (FY23: 3.1p basic and diluted loss per share).

Cash flow

Net debt halved from £14.5m at the start of the year down to £7.3m, representing 0.7x FY24 adjusted EBITDA (£9.9m), and secured by two freehold properties with a combined carrying value of £7.6m.

	FY24 £m	FY23 £m	Change on FY23 £m
Opening cash	**4.5**	3.9	0.6
Profit/(loss) for the year	**0.7**	(0.6)	1.3
Movement in working capital	**4.7**	13.0	(8.3)
Depreciation and amortisation	**6.6**	6.0	0.7
Financial expense	**2.1**	1.7	0.4
Tax and Other operating adjustments	**0.5**	(0.4)	0.9
Net cash from operating activities:	**14.6**	19.7	(5.1)
Net cash used in investing activities:	**(3.9)**	(6.7)	2.8
Net cash used in financing activities:	**(10.5)**	(12.4)	1.9
Increase in cash in the year	**0.2**	0.6	(0.4)
Closing cash	**4.7**	4.5	0.2

In June 2023 the Group renewed its RCF at £30m for three more years with its bankers, HSBC, providing the headroom to invest in opportunities as and when they arise.

Group net debt was actively managed down by £7.2m (50%) to £7.3m following a £9.7m reduction last year, driven in large part by an £8.7m reduction in inventory. Year-end net debt peaked at £24.2m at 31 March 2022 reflecting an £11.4m investment in acquisitions, and a £17.1m investment in inventory that has been unwound in FY23 and FY24.

Net cash outflow in investing activities has been reduced to £3.9m (FY23: £6.7m outflow) including £3.7m of capitalised software development costs (FY23: £5.3m) and £0.2m property, plant and equipment additions (FY23: £1.0m). Depreciation and amortisation of £6.6m (FY23: £6.0m) is added back in 'net cash from operating activities'.

Net cash outflow from financing activities of £10.5m (FY23: £12.4m outflow) represents a £7.0m lower RCF drawdown (FY23: £9.0m decreased drawdown), £1.4m payment of lease liabilities (FY23: £1.7m), and £2.1m interest paid (FY23: £1.7m).

Balance sheet

	31 March 2024 £m	31 March 2023 £m	Change on 31 March 2023 £m
Property, plant and equipment	**10.9**	11.9	(1.0)
Right-of-use assets	**8.1**	7.3	0.8
Software platform	**12.8**	12.8	–
Other intangible assets	**9.2**	9.2	–
Total non-current assets	**41.0**	41.2	(0.2)
Inventory	**25.6**	34.4	(8.8)
Cash	**4.7**	4.5	0.2
Other current assets	**3.9**	4.5	(0.6)
Total current assets	**34.2**	43.4	(9.2)
Trade payables	**(6.9)**	(9.3)	2.4
Lease liabilities	**(1.8)**	(1.1)	(0.7)
Other current liabilities	**(6.6)**	(8.4)	1.8
Total current liabilities	**(15.3)**	(18.8)	3.5
Loans and Borrowings	**(12.0)**	(19.0)	7.0
Lease liabilities	**(7.6)**	(7.5)	(0.1)
Other non-current liabilities	**(1.9)**	(2.1)	(0.2)
Total non-current liabilities	**(21.5)**	(28.6)	7.1
Net assets	**38.4**	37.2	1.2

Capital expenditure on property, plant and equipment totalled £0.2m across all sites.

Right-of-use assets increased to £8.1m reflecting the conclusion of a rent review at our York distribution centre in July 2023. This lease expires in 2033.

The Group capitalised £3.7m (FY23: £5.3m) of software development costs relating to our bespoke e-commerce platform, of which £2.4m was in H1 and £1.3m in H2 reflecting the reduced team-size going forward. Platform amortisation in the year of £3.7m (FY23: £3.0m) was split £1.8m in H1 and £1.9m in H2. Year-end net book value of our software platform remained at £12.8m and is expected to decrease in FY25.

Other intangible assets include £5.3m goodwill and £3.0m domain names.

Inventory of £25.6m is £8.8m (26%) lower than at 31 March 2023 reflecting planned reductions. The Board considers this to be an appropriate level to take into FY25, providing breadth and depth across categories across our distribution centres.

The Group carried net bank debt of £7.3m at the year-end (31 March 2023 net bank debt: £14.5m).

Dividends

The Board is confident in the prospects for the business and recognises the importance of generating and retaining cash reserves to support future growth, and as such the Board does not consider it appropriate to declare a dividend at this time but will continue to review this position on an annual basis.

CHRIS SCOTT
CHIEF FINANCIAL OFFICER
24 June 2024

INVENTORY
£25.6m
-£8.8m

NET DEBT
£(7.3)m
+£7.2m

Environmental, social and governance

socially responsible approach

Overview

We understand the importance that sustainable business practices have on our physical and social environments, and the role they will play in successfully growing over the longer term, and acknowledge there is increasing interest from a wide range of stakeholders in the various impacts that the business has.

We present our first Climate Report on pages 38 to 41. This is a first iteration and we will continue to develop and refine our framework and activities in the year ending 31 March 2025.

Gear4music's ESG Agenda

Environmental pillar		Social pillar		Governance pillar
Climate change	**Pollution and waste**	**Our products**	**Our people**	**Corporate behaviour**
Carbon emissions	Packaging material and waste	Product safety and quality	Health and safety	Board diversity and structure
Product footprint	Electronic waste	Supply chain labour standards	Diversity and inclusion	Executive pay
			Wellbeing	Ethics and transparency
			Charities and community	Anti-corruption policies
We recognise our responsibility to reduce our environmental impact, and can achieve this through technology, continuous improvements in operational efficiency, and doing things in new ways		We are committed to retailing high-quality musical instruments, equipment and AV products, and adopting and improving practices that ensure there is no slavery or human trafficking in our supply chain	We recognise the success of our business is founded on the hard work of a team of talented and motivated individuals, and are committed to making Gear4music a great place to work	We are committed to conducting our business with integrity

Environmental matters
We recognise our responsibility to reduce our environmental impact, and can achieve this through technology, continuous improvements in operational efficiency, and doing things in new ways.

Climate Change
We target reduced energy consumption and seek out renewable energy options when contracts are up for renewal and it is commercially viable to do so.

We routinely make energy-efficiency conscious decisions across our properties – for example using LED lighting across our properties and in FY24 installing solar panels at our York distribution centre.

We'd like to thank our shareholders for their support in moving to paperless statutory reporting and AGM voting.

Our carbon intensity is reported in the Directors report on page 60, showing that in FY24 Scope 1 emissions fell by 5% and Scope 2 emissions by 14%.

OUR CLIMATE REPORT IS REPORTED ON PAGES 38 TO 41

Waste Management
We work to minimise the impact of our activities on the environment:

Packaging – We review and seek to improve packaging efficiency and reduced waste, and increase use of near 100% recycled materials; and

Waste – We separate and sell all our waste cardboard for recycling and actively seek ways to recycle more of our waste packaging materials such as plastic stretch wrap.

The durable nature of our products makes them prime for recycling, and the launch and rapid growth of our second-hand offering evidences our commitment to the circular economy across our product categories.

We have a specialist repair team and look to resell repaired own brand products where appropriate, and reuse spare parts from items which cannot be restored to full working order.

We promote safe and responsible recycling of end-of-life products.

Second-hand platform
The durable nature of our products makes them prime for reuse, and the launch of our proprietary second-hand trade-in system marks our entry into and commitment to the circular economy across our product categories.

SEE STRATEGY IN ACTION ON PAGE 20

Our Products
We have invested in the necessary equipment and resources to carry out rigorous compliance testing in our dedicated facility, including testing for substances that can be harmful to the environment or people and are banned under Restriction of Hazardous Substances Directive 2002/95/EC ('RoHS') Regulations.

We operate a strict supplier code of conduct that all of our own-brand suppliers are signed up to, detailing our rigorous expectations and requirements in relation to:

a. Labour
   i. Child Labour
   ii. Hours, Wages & Benefits
   iii. Humane Treatment
   iv. Slavery and Human-Trafficking
   v. Discrimination
   vi. Freedom of Association

b. Health & Safety
c. Environmental
d. Anti-Corruption

Modern Slavery
We are committed to adopting and improving practices that ensure there is no slavery and human trafficking in our supply chains or any other part of our business. The products we sell are manufactured in many different countries, and we aim to ensure that these values are upheld across our supply chain.

To achieve this, we are committed to identifying and assessing areas of our business where there could be potential risks of modern slavery, be that directly or indirectly within our supply chain. We seek to develop and implement effective systems and controls to review and monitor compliance with our policy.

We sell many well-known other-branded products and in the year ended 31 March 2024 third party brands accounted for 73% of our product sales (FY23: 73%). We purchase these products predominantly from European-based suppliers, many of whom are part of larger global organisations. These organisations acknowledge and generally publish their commitment to anti-slavery practices.

Our own-branded products are sourced from manufacturers in several countries around the globe and are often manufactured to our specification and design. As of 31 March 2024, we had active relationships with 93 manufacturers, predominantly in the Far East.

We conduct independent inspections of third-party facilities involved in the manufacture of our products. During these inspections we carry out extensive checks and produce written 'factory inspection' reports that are shared with the managers and/or owners of the facilities, and include formal recommendations to be actioned where appropriate. We will stop using any factories that fail to meet the standards that we set.

In May 2023 travel restrictions eased and we were able to resume inspections and conducted 28 inspections with more planned for later in the calendar year. Responses to our factory inspections to date have been positive.

As an e-commerce retailer of musical instruments, music equipment and AV-products, we believe that the areas in which we can make the biggest differences are:

Climate change
reducing the impact G4M has on the environment

Waste management
reducing levels of waste and increased, improved recycling

Our products
retailing safe and high-quality products, produced in ethical supply chains

Our people
looking after our colleagues and ensuring G4M is a great place to work

Environmental, social and governance continued

Our people

We strongly believe in growing our talent by recruiting only the best people, identifying individual strengths, and providing development opportunities with the scope for career progression as a result.

Our diverse workforce is a great part of life at Gear4music: different cultures, knowledge and skills makes it a fantastic place to work, and many of our employees are musicians in their spare time.

growing our talent

A business for musicians run by musicians

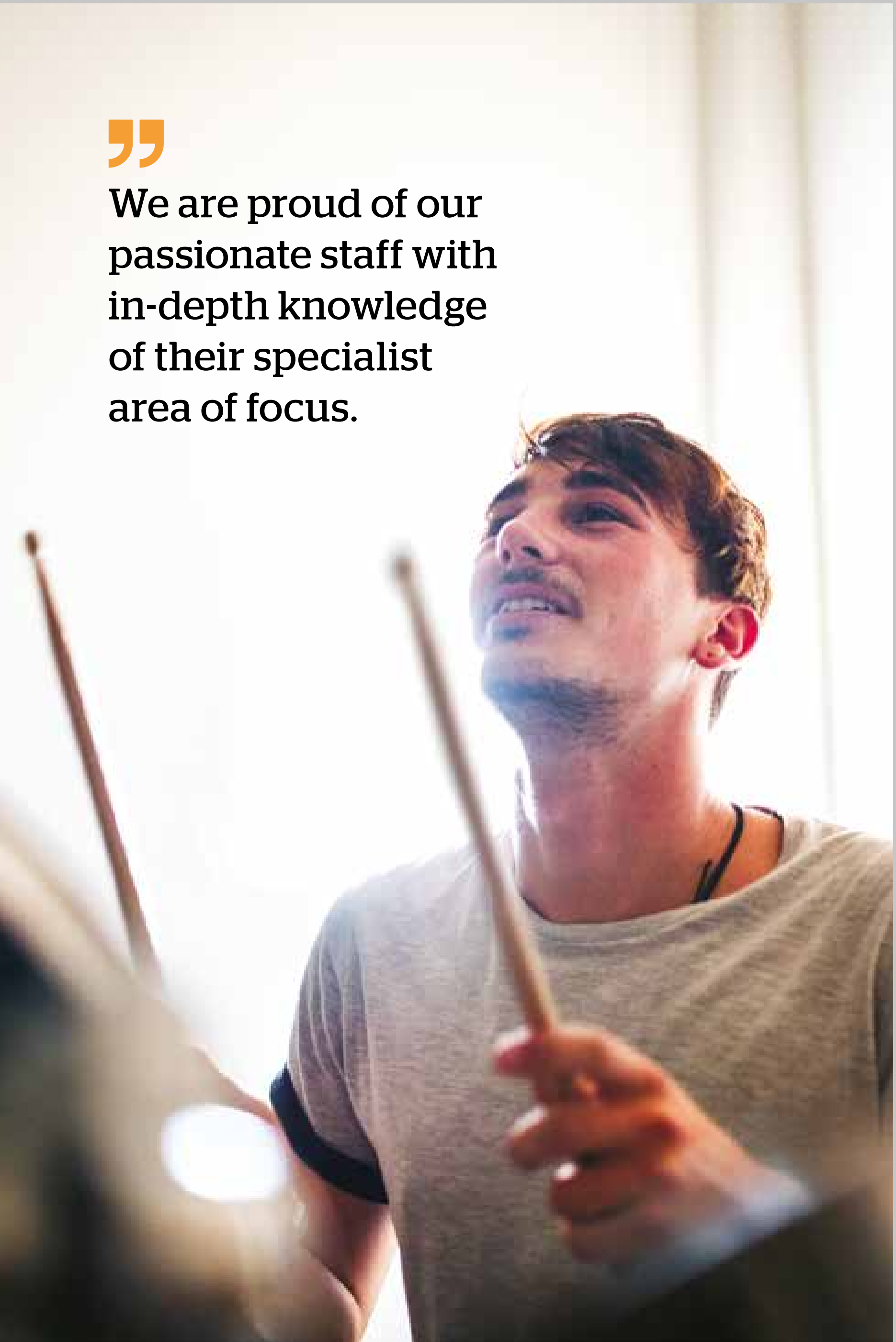
We are proud of our passionate staff with in-depth knowledge of their specialist area of focus.

We offer generous staff discounts on musical products and equipment, and estimate the majority of our team have made a relevant purchase.

Recruitment and Retention

We need to attract talent into our business to support our growth plans and offer competitive salaries and a range of benefits to help attract and retain great people (https://www.gear4music.com/careers/why-gear), and our retention levels are good.

As at 31 March 2024, 40 employees are participating in Group share option plans in recognition of their contribution to the continuing success of the business.



> We are proud of our passionate staff with in-depth knowledge of their specialist area of focus.

Mental Health

Gear4music is signed up to the Charter for Employers Positive about Mental Health, meaning we are committed to creating a supportive and open culture where colleagues feel able to talk about mental health confidently, and aspire to appropriately support the mental wellbeing of all staff – we are proud to be a 'Mindful Employer'.

We have 30 certified Mental Health First Aiders ('MHFAs') across our business providing all Managers across our sites with tools, resources and knowledge to support their people better. Our MHFAs meet on a quarterly basis to review the support we are providing across the business and suggest new ideas and initiatives.

Our Employee Assistance Programme remains a highly utilised support tool, providing all employees with access to online resources, 24/7 helpline and counselling services. We continue to support our employees' wellbeing with our Mental Health and Wellbeing Policies.

Equality, Diversity & Inclusion

We are committed to supporting equality, diversity, and inclusion across the business. In FY24 we communicated reminders of important policies including our Company Equality, Diversity and Inclusion Policy, Transgender Support Policy and the Use of Pronouns in Email Signatures. A new refresher video on the topic of Equality, Diversity and Inclusion in the workplace has been shared with all employees.

Learning and Development

The launch of a new Learning & Development hub was designed to support opportunities for everyone across our business. E-learning courses are bitesize so can fit in around workloads and people can pick and choose courses which may be most beneficial to them. Content available includes people skills, compliance, health & safety, management development and I.T. skills as examples. By making these courses available to everyone we support a culture of continuous learning, development and support.

Gear4music Community

Our Gear4music Community team meet regularly to discuss new ideas and support events throughout the course of the year to provide fundraising and social opportunities. In FY24 this included:

- Time to Talk Day – an opportunity to support mental health across the business including a coffee morning, article information via the intranet, poster reminders about support available, and free online training on the topic of mental health.
- Financial Wellbeing – HSBC came onsite with a pop-up stand to raise awareness of financial support available to colleagues. We continue to have a dedicated section on our intranet for financial wellbeing which includes access to a wide range of support resources, monthly webinars, and 121 calls available with a HSBC personal finance specialist.
- Red Heart Day – the opportunity to support the British Heart Foundation, encourage colleagues to wear red and go for a walk outside, and access to a free online CPR course. These activities were all aimed around promoting and encouraging health & wellbeing in the workplace.
- Red Nose Day – a fun opportunity for our teams to get involved with dressing up and organising bake sales to raise money for Comic Relief.
- Neurodiversity Celebration Week – an opportunity to raise awareness of neurodiversity in the workplace, improve knowledge and understanding, and provide support to people across the business. Intranet article information was shared, and all line managers were provided with the opportunity to attend training on this specific subject.
- Pride Month – an opportunity to support equality, diversity and inclusion across the business. Article information was shared with all employees across the business, with a refresher reminder about Company Policies and a short e-learning video. Plus, the opportunity for people to show their support and wear bright colours every Friday in June.

Environmental, social and governance continued

Our people continued

- Social Events – Holgate social events this year have included a Pub Quiz and an Open Mic Night. Social events provide an informal setting for colleagues to socialise, unwind and promote positive wellbeing. A Summer BBQ is next on the horizon.

With more events planned for the remainder of the year, the Gear4music Community Group in partnership with the HR Function plays an important role in supporting employees across the business in conjunction with the Company ESG Strategy.

Gender Pay Gap report

As of April 2023, our mean gender pay gap was 15.9% (2022: 17.5%).

- Women's hourly rate is 15.9% lower (mean) and 5.6% lower (median)
- Women's bonus pay is 100.0% higher (mean) and 100.0% higher (median)
- 0.0% of men and 0.9% of women received bonus pay
- Top salary quartile has 86.2% men and 13.8% women
- Upper middle salary quartile has 72.1% men and 27.9% women
- Lower middle salary quartile has 69.8% men and 30.2% women
- Lower salary quartile has 74.4% men and 25.6% women

The mean reflects the fact that the top three highest paid employees are male; the median reflects that there are proportionally more females in the upper middle quartile and less in the bottom quartile.

AVERAGE NUMBER OF EMPLOYEES

484

charitable partnerships

Girls Rock London

'Girls Rock London' is an award-winning charity based in Hackney providing high-quality music programming for young and adult women, trans and non-binary people, with a specific focus on increasing access for people who face barriers to participation.

Their vision is of a world where girls, women, trans, and non-binary people are powerful and can achieve their potential. Their mission is to amplify their voices through music-making and community-building. Their programmes are aimed at complete beginners as well as experienced musicians, and they work closely with community partners to respond to the needs of young people experiencing multiple and intersecting disadvantage. They aim to demystify music-making, challenge gender inequality in the music industry and wider society, and provide safe, nurturing and joyful environments in which people can develop musically, personally and socially.

Sunflowers in York

'Sunflowers in York' helps Ukrainian refugee children and families to settle and thrive in York by providing emotional health and wellbeing activities and support.

Their team of experienced Ukrainian teachers and psychologists believes that children's emotional health is essential to their education, quality of life and ability to process change and trauma.

Environmental, social and governance continued

Charitable partnerships continued

Jessie's Fund

We are pleased to be able to share an update with you all at Gear4music about how your regular, unrestricted donations have allowed us to continue our work helping children with a range of life-limiting illness and complex needs to communicate through music. We are incredibly grateful for your ongoing support.

Jessie's Fund began by enabling children's hospices to develop music therapy provision, and these relationships continue with organisations throughout the UK. We recently supported Alexander Devine hospice with a grant to support their music therapy service.

One child who has benefited from music therapy there is Michael:

Michael receives music therapy at home. He spends most of his day in his specialist cot; his vision is limited, and he relies heavily on sound. His engagement in the sessions was enthusiastic. He listened intently and during the greeting song would begin slowly to 'wake up' his body, beginning to vocalise with the music and then take the lead by initiating vocal sounds. By the end of the session Michael's body would be awake all the way to his toes where (in his mother's words) he would 'sing' along and move his legs, which he only does when he's overjoyed. As a medically vulnerable child, born during the Covid-19 pandemic, Michael has had very limited opportunities to develop new relationships or have new and varied experiences. Music therapy sessions offered Michael a different and interactive way to enjoy music, express himself and move his body, both independently and with his carer. Alongside the impact we have on specific children at the hospice, we are very proud that:

Jessie's Fund is recognised by many of our families as an organisation that supports music therapy at the hospice. Both families and staff frequently access the resources on the Jessie's Fund website and report them to be really useful.

Jessie's Fund ran a collaborative creative music project across three schools in Merseyside, as part of a programme of Eurovision activities run by SKY music hub in the Summer of 2023.

Two of our experienced musicians ran songwriting workshops with classes of children with a range of special educational needs, including Autism and Severe Learning Disabilities.
Two of the schools had worked with us before, and one was a new setting to us. All the staff involved had training sessions with our musicians, so they felt confident to continue to use music and songwriting tools to help their student's communication development after the project. One school is also keen to move onto a one-year development project to help them embed a whole school culture of music.

The project culminated in a sharing performance at the Shakespeare North Playhouse, attended by parents. The students showed great confidence in their performance as well as pride in their work, sharing songs about topics from broken ice cream machines to otters and teamwork. When asked about what the project had meant to him, one student shared:

I have learnt to use my imagination and put it into practice. The class have teamed up to work together, to share trust with each other and to express our own opinions. We have collaborated our individual opinions and built them up. It's like a lego house. Everybody's opinion is like a lego block and when you stack them altogether it turns into a joint success. Music is powerful. It allows you to have a 'déjà vu' moment when you listen to a song, it can take you back into your memories, and it is spectacular.

We have seen another increase in requests this year for our grant funding for individual music therapy, which allows children who do not have access to music therapy through their school or other settings to be able to have a block of sessions in the community.

The cost-of-living crisis continues to disproportionately impact families with children with additional needs, meaning the costs of these sessions remain out of reach for many families. However, the impact of these sessions can be astounding:

> **Thank you to Jessie's Fund for funding music therapy sessions for Jodie. She has shown so much progress over the last six months going from a non-verbal child to singing words and now speaking to them. Music has been such a lifeline to her in terms of expressing herself and making meaningful connections with her mother who participates with her in the sessions.**

It is through the reliable support of organisations such as Gear4music that we are able to continue to offer this vital funding to families, and we remain very appreciative.

We are now looking towards our 30th anniversary in 2025. We hope to be able to share and celebrate our achievements over the last 30 years, as well as growing and developing our work to ensure we reach as many children and young people with additional needs in the UK who would benefit from therapeutic and creative music-making as we can.

REBECCA ELLIS
EXECUTIVE DIRECTOR, JESSIE'S FUND

Music for All

Music for All is dedicated to changing lives across the UK by improving access to music making.

We are a passionate, focused and ambitious UK charity helping disadvantaged music makers experience the joys and far-reaching benefits of making music.

Established 27 years ago, Music for All has a track record in providing support. Over the past five years alone we have awarded over £300,000 in cash grants, donated hundreds of instruments and equipment to individuals, community groups and educational establishments, and provided free 'Learn to Play' experiences for thousands of people.

Music for All is dedicated to helping people of all ages and social backgrounds get involved in the amazing world of music making. We know making music changes lives and we ensure our values run through every aspect of our work.

> **Music for All is proud to be continuing our work with Gear4music, bringing more instruments and equipment to disadvantaged people and communities across the UK.**

HAYLEY MILLS
CHARITY COORDINATOR, 7 JUNE 2024

The Bank of Dreams & Nightmares

The Bank of Dreams & Nightmares is all about nurturing creativity in kids.

Founded by 'Hitchhikers Guide to the Galaxy' Director Nick Goldsmith and inspired by a place called 826 Valencia, set up by the author Dave Eggers, the charity aims to give children of all ages the ability to access resources and professional tutoring in areas such as creative writing, podcasting and filmmaking. They are building a truly wonderful mixed-use space in Bridport, Dorset, called The Bank of Dreams and Nightmares:

> **Imagine a real bank except we deal in the currency of words and our vaults are filled with all kinds of dreams and nightmares; precious stories written by children. Anyone can open an account with us, and explore the Bank itself, but if you know where to look you will find a secret door that leads you to where the real magic happens. Hidden within the bank is the story writing workshop overseen by the mysterious Bank Manager who is never seen but likes to make themselves heard! Here we offer free creative writing workshops to children developed with industry professionals with real world outcomes, to show children just how far their writing can take them!**

Environmental, social and governance continued

climate report

Introduction

The future success of our business will be subject to our ability to effectively manage climate-related risks, as it would with all other risks that we face. We welcome the new mandatory Climate-related Financial Disclosures ('CFD') which align with the Task Force on Climate-related Financial Disclosures ('TCFD') framework and the importance of adopting its recommendations.

This is our first year publishing a Climate report and we will expand our disclosures across the recommendation areas as our strategy develops. We recognise the increasing threat that climate change poses, and the impact that the production and selling of products has on the environment. We recognise the importance of managing our impact through our value chain and of building decarbonisation into our decision making.

Risk management, sustainability and responding to climate change are important components of our business today. We continue to monitor market disclosures with a view to ensuring that our own disclosures achieve the objective of being consistent and comparable over time.

Governance

We have embedded the oversight and management of climate-related risks and opportunities throughout our governance framework.

Climate risk is a key component of our ESG strategy, for which the Plc Board has overall accountability. Execution of this strategy is delegated to the Operational Board.

The impact of climate change risk on our business and our impact on the world around us is reviewed by the ESG Committee. Since formation in July 2023 our ESG Committee met eight times in the financial year, making proposals and reporting on progress to our Operational Board. The ESG Committee is chaired by our Operations Director and our CFO is a member of the Committee, and to ensure that ESG is integrated across our business, the Committee comprises managers from all areas of the business who are able to credibly input into decision-making, and implement agreed outcomes.

Climate change is included as a risk in our risk register and evaluated on an annual basis by the Plc and Operational boards.

Our climate-related risks and opportunities will be reviewed every two years to establish if they are still material, and identify any new issues.

The Audit Committee is responsible for providing oversight and governance of the Group's internal controls and risk management, which includes ESG.

Strategy

Climate-related risks and opportunities:
We have considered the transitional and physical risks and opportunities presented by rising temperatures, climate-related policy, and emerging technologies. In FY25 we plan to develop and formalise our assessment over different time horizons to identify evolving risks and opportunities.

Physical risks arise out of the physical aspects of climate change, for example extreme weather events or global temperature increase. Market risks refer to changes in demand of certain products and commodities due to climate change.

Transition risks are those which arise from the transition to a lower-carbon economy, such as policy changes.

The risks identified are more likely to present themselves in the medium or long term. Having assessed the risks, we believe that there is no material financial risk or threat to our business model in the short term. This risk assessment is under regular review.

We have considered the potential for the financial statements to be impacted by climate change, with a focus on long term assets. The long-term assets that might be considered at risk are property, plant, and equipment comprising our head office in York, six warehouses across Europe, and plant, machinery and fittings contained therein. These assets are not considered to be at material risk of any physical impacts or transitional risks arising from climate change.

Developments to keep under review included:

- **Policy/Regulation:** It is likely that increased policy and regulation will have a significant impact on G4M over the longer term. Incoming regulation and requirements such as the Taskforce on Nature-related Financial Disclosures are expected to come into force in the next two to five years.
- **Market:** Climate change is expected to impact the supply and demand for certain commodities, products and services. G4M will look to partly mitigate this risk by diversifying sourcing routes and product suppliers, and through rapid growth of its second-hand business. We have begun collecting data from our product and carrier suppliers and started to use this information to identify our biggest risks and opportunities.

Risk Management

The process for identification and assessment of climate-related risks follows the Group's risk management methodology. By considering climate-related risks through the same framework as other business risks, we are able to identify, assess and manage climate-related risks in a way that is aligned to all other risks. The governance structure provides additional oversight through the ESG Committee. Our risks and uncertainties are on pages 42 to 47.

Metrics and targets

We are committed to minimising our environmental impact by reducing the carbon intensity of our activities and the natural resources we use.

Due to the nature of our business, most of our carbon footprint falls outside of our direct control and is reported under our Scope 3 emissions. Our Scope 3 total emissions disclosure (CO_2e) covers the complete lifecycle of all the products we sell. This extends from the production of raw materials through to the manufacture, transport, how our customers use them and the eventual end of life treatment of the products we sell.

The emissions have been estimated in line with the GHG Protocol Corporate Accounting and Reporting Standard and are based on a combination of internal data coupled with the best available public sources on CO_2 emissions factors using conservative assumptions.

Our total Scope 3 emissions are reported in the table below, together with our Scope 1 and 2 (location based) emissions:

				31 March 2024	31 March 2023	% Change
Scope 1		Combustion of fuel and operation of facilities	tCO_2e	336	353	(5%)
Total emissions – Scope 1*			tCO_2e	**336**	**353**	**(5%)**
Scope 2		Electricity, heat, steam and cooling purchased for own use	tCO_2e	340	396	(14%)
Total emissions – Scope 2*			tCO_2e	**340**	**396**	**(14%)**
Total emissions – Scope 1 & 2			tCO_2e	**675**	**749**	**(10%)**
Scope 3	1	Purchased goods & services	tCO_2e	**15,401**	15,567	(1%)
Scope 3	2	Capital Goods	tCO_2e	**57**	585	(90%)
Scope 3	3	Fuel & Energy Related Activities	tCO_2e	**159**	200	(21%)
Scope 3	4	Upstream Transportation & Distribution	tCO_2e	**2,028**	1,964	3%
Scope 3	5	Waste Generated in Operations	tCO_2e	**7**	8	(5%)
Scope 3	6	Business Travel	tCO_2e	**109**	50	120%
Scope 3	7	Employee Commuting	tCO_2e	**367**	428	(14%)
Scope 3	9	Downstream Transportation & Distribution	tCO_2e	**854**	983	(13%)
Scope 3	11	Use of Sold Products	tCO_2e	**10,688**	11,229	(5%)
Scope 3	12	End of Life Treatment of Sold Products	tCO_2e	**181**	192	(6%)
Total emissions – Scope 3			tCO_2e	**29,852**	**31,206**	**(4%)**
Total emissions – Scope 1, 2 & 3			tCO_2e	**30,527**	**31,955**	**(4%)**

* FY23 Scope 1 & 2 figures have been restated based on a review of data collection scope and methods.

Carbon intensity				
Carbon intensity per unit of revenue	tCO_2e/£k	4.730	4.758	(1%)
Carbon intensity per customer order	tCO_2e/order	0.028	0.027	4%

Scope 1 & 2 energy use and emissions figures in the year-ended 31 March 2023 have been restated further to the detailed analysis and external guidance in our preparatory TCFD work. The net effect has been reported FY23 total energy use has increased from 3,612,091kWh to 3,963,335kWh, and CO_2e emissions have decreased from 923 tCO_2e to 749 tCO_2e.

Environmental, social and governance continued

Methodology

Our emissions report has been prepared in line with HM Government's guidance: Environmental Reporting Guidelines, including streamlined energy and carbon reporting. Our carbon footprint has been calculated in accordance with the internationally recognised corporate accounting and reporting standard, the Greenhouse Gas Protocol, developed by the World Resources institute ('WRI') and the World Business Council for Sustainable Development ('WBCSD'). It adheres to the best practice of relevance, completeness, consistency, transparency and accuracy.

- **Scope 1** – includes all direct emissions from natural gas used to heat our facilities and fuel consumption within our company vehicle assets.
- **Scope 2** – includes indirect emissions associated with the generation of electricity to power our facilities.
- **Scope 3** – includes other indirect emissions generated along our value chain, consisting mainly of, purchase of goods both for resale and not for resale, transport & distribution of goods and use of sold products.

External Assurance

To provide additional comfort we commissioned Ricardo, a world-class environmental, engineering and strategic consulting company listed on the London Stock Exchange, to provide limited level assurance on the Scope 3 GHG inventory which involved assessing the following against the GHG Protocol:

- the appropriateness of the applied estimating methodology;
- the applicability of the assumptions in the estimate;
- the quality of the data used in the estimate; and
- the verification of calculation outputs.

We have used emission factors from the 2022 and 2023 UK Government's Conversion Factors for Company Reporting combined with industry-specific factors where available.

The carbon emissions are measured in carbon dioxide equivalents or CO_2e which includes the six greenhouse gases: carbon dioxide ('CO_2'), methane ('CH_4'), nitrous oxide ('N_2O'), hydrofluorocarbons ('HFCs'), perfluorocarbons ('PFCs'), and sulphur hexafluoride ('SF_6').

We have used a number of approaches in our emissions calculations depending on the availability of data and in accordance with the GHG Protocol. These approaches included:

Hybrid method – uses a combination of supplier-specific activity data (where available) and secondary data to fill the gaps. This method involves:

- collecting allocated Scope 1 and Scope 2 emission data directly from suppliers;
- calculating upstream emissions of goods and services from suppliers' activity data on the amount of materials, fuel, electricity used, distance transported, and waste generated from the production of goods and services and applying appropriate emission factors; and
- using secondary data to calculate upstream emissions wherever supplier-specific data is not available.

Average-data method – estimates emissions for goods and services by collecting data on the mass (e.g., kilograms or pounds), or other relevant units of goods or services purchased and multiplying by the relevant secondary (e.g., industry average) emission factors (e.g., average emissions per unit of good or service).

Spend-based method – estimates emissions for goods and services by collecting data on the economic value of goods and services purchased and multiplying it by relevant secondary (e.g., industry average) emission factors (e.g., average emissions per monetary value of goods).

Supplier-specific method – collects product-level cradle-to-gate GHG inventory data from goods or services suppliers.

Performance in the year ended 31 March 2024

Our Scope 1 & 2 greenhouse gas emissions fell by 10% in FY24 vs FY23 while Scope 3 emissions fell by 4%. Overall, our greenhouse gas emissions fell by 4% year on year due to a number of factors and initiatives. Our carbon intensity per £ of revenue decreased by 1%, however our carbon intensity per customer order has increased by 4%. This is due to a higher average order value but a lower number of orders in FY24 than in FY23.

Scope 1 & 2

Scope 1 emissions fell by 5% and Scope 2 emissions by 14% in FY24. This is partly due to closure of our Manchester offices but also due to a number of energy saving initiatives implemented over the period.

At our Head Office in York our gas kWh usage, which accounts for 33% of total gas kWh, has reduced by 30% in FY24 largely due to working with external consultants to optimise the air handling system. In a similar vein the electricity kWh usage has reduced by 22% year on year due to energy saving measures such as turning off lights in the car park overnight.

We monitor and review our gas and electricity usage at all our facilities to continuously reduce our usage wherever possible, and in early 2024 installed solar panels at our main warehouse facility in the UK. We expect to see a considerable reduction in electricity drawdown from the national grid at this facility from FY25.

Scope 3

Our overall Scope 3 emissions reduced by 4% in FY24. Our two biggest Scope 3 emission contributors which combined account for 84% of all Scope 1,2 & 3 emissions, are purchased goods which, other than our own brand offering, we have limited influence over and use of sold products which includes energy consumption from customers as they use electrical musical instruments and equipment.

Use of sold products

We hope our customers enjoy using their instruments for many years and work hard to ensure that own brand products are designed to be repaired, rather than single-life which inevitably means the use of sold products emissions increases with the lifespan of the products.

In compliance with European ErP directives and legislation we are constantly working to make electronic products more and more efficient, particularly when not in use.

Second-hand

In March 2023 we launched our second-hand offering which aligns with our ambition to reduce our carbon emissions output by reusing and recycling wherever possible. By reusing second-hand musical instruments and equipment we lengthen their lifetime, reduce waste in landfills and cut out the emissions associated with procuring and producing new instruments and equipment.

Transport

We continuously work with our couriers to provide the best possible delivery solutions to customers including looking at greener delivery options. To date we have found there are limited workable options available although it is encouraging to see couriers actively pursuing greener options as well as trying to make these more economically viable.

Risks and uncertainties

identification

evaluation & management

The Board recognises that certain risks and uncertainties can have significant rewards for the prospects of the business, and as such require careful identification, evaluation and management.

The Board takes overall responsibility for risk management, with a focus on evaluating the nature and extent of significant risks, and formulating mitigations around the risks required to be taken in order to deliver the strategic objectives. The Audit Committee has responsibility for overseeing the effectiveness of appropriate risk management processes and internal control systems. More detail of these processes is set out in the Governance section.

This section focuses on the principal risks and uncertainties to our business model that could impact on our achieving our strategic objectives, and our future performance.

FOR MORE INFORMATION
WWW.GEAR4MUSIC.COM

Operations

Risk	Description	Mitigation
Macroeconomic and Geopolitical developments	Macroeconomic and geopolitical changes can impact on consumer confidence and demand for discretionary products: Economic headwinds associated with higher inflation appear to be lessening in 2024. Geopolitical tensions have increased with situations in Ukraine and the Middle East. Countries we source products from and/or ship into could experience restrictions or sanctions impacting the movement of products. Global freight movements could be disrupted by geopolitical factors, such as conflict or pandemic, that would limit inbound delivery of products. A significant proportion of the Group's product range is manufactured in China (see 'Supply Chain' below), and China-Taiwan relations continue to be monitored.	The Plc and Operational Boards continue to monitor macroeconomic trends and geopolitical developments and respond appropriately. G4M monitors performance and evaluates prospects through the year, and will make any necessary commercial, operational or financial decisions at that time. The logistics team assess and explore alternative shipping routes (rail and air as well as sea) in case of restrictions on certain routes. The Group's Own-brand buy-team routinely explores new supply options across different territories to reduce over-dependence on any single country. In the long-term second-hand products have potential to become a meaningful sourcing opportunity.
Climate Risks & Sustainability OUR CLIMATE REPORT IS REPORTED ON PAGES 38 TO 41	The transition to a lower carbon economy could impact our business in a number of ways including: (1) Customer risk – The risk of changes in consumer preference trends and demand projections, and market disruption; (2) Market risk – The risk of market disruption, cost of capital and valuation changes as investors prioritise returns from lower carbon companies; (3) Policy risk – The risk of legislation enacted by national and local governments to price and penalise GHG emissions. Physical risks of climate change bring risks of acute perils (such as flood, wind and extreme rainfall) and chronic perils (such as drought, heat stress and water stress) that could impact our facilities, and access to and cost of products.	We are committed to reducing the Group's impact on the environment and can achieve this through technology, continuous improvements in operational efficiency, and doing things in new ways. Environmental impact is a consideration in all relevant significant decisions made – product sourcing, packaging and waste, distribution, and premises and energy-use. We are working with our manufacturing partners to improve sustainability and reduce embedded CO_2 in our product range. We regularly assess our operating facilities to ensure they are fit for purpose and invest in appropriate mitigations, for instance snow and ice clearance contracts and air conditioning.
UK Outside the EU	Increased time and cost of moving products across the UK-EU border, makes it difficult for G4M to viably move products across border to customers and/or between distribution centres. Controls on the freedom of movement of people may impact the availability of European workers in the UK. UK-Irish-European tensions could escalate as Northern Ireland protocols are worked through. Requirements for locally resident Board level management could be introduced which could add cost and complexity to the management structure. .	G4M has four DCs outside the UK – in Sweden, Germany, Spain and Ireland to reduce cross-border activity and localise our customer proposition. European DCs fulfilled 32% of total sales (FY23: 38%; FY22: 35%; FY21: 31%). Competitor activity and offerings are regularly reviewed to remain abreast of market developments and identify risks and opportunities. Fluctuating exchange rates are regularly reviewed, and operational and financial mitigations considered. Buying products and incurring costs in Euros and Krona provides a natural hedge and partly mitigates currency risk. Senior managers are being developed in European locations who may be able to represent the business if required.

Risks and uncertainties continued

Operations continued

Risk	Description	Mitigation
Change Management	**Operations and Process** – The Group has grown rapidly from revenues of £24m in FY15, to £144m in FY24. Operations and practices adopted at earlier stages of the Group's development may be inappropriate for a business of an increased size, scale and complexity. The Group may need to expand and enhance its infrastructure and technology and improve its operational and financial systems and procedures and controls. The Group will need to expand, train and manage its growing employee base. Growth through acquisition is dependent on identifying appropriate targets, negotiating and delivering transactions, and the successful integration of businesses.	The Plc and Operational Boards actively monitor and respond to developments, so as to maintain systems and practices that are appropriate for the operations and scale of the Group. The Group continues to allocate a high proportion of senior management time and software development resource to improving internal processes and controls, and overall Group resilience. The Group operates a rigorous recruitment process and continues to recruit into key management positions. Prior to any such major developments Management extensively researches the opportunity and routinely take appropriate professional advice. Any future advances will continue to be in a measured, capital and cost-efficient manner.
	Regulatory and Compliance – Operating in geographical markets and/or sectors could expose the Group to a variety of new risks and requirements. The geographic dispersion of the employee base creates exposure to different labour regulations. Political or regulatory change, for instance in national minimum wages, union recognition or collective bargaining agreements, could impact the Group's operating capability and cost of operation.	The Group has well-established local subsidiaries in multiple European countries, and recruited local management familiar with local laws and regulations. In Sweden and Germany we have native leaders who have been with the business for some years and have established strong local working relationships. We strive to ensure we offer a high-quality place of work and with multiple distribution centres could re-allocate activity to different locations, for instance consolidation of returns to a single centre. The Group has specialist teams with relevant expertise and experience, and relationships with external advisors to ensure compliance with local regulations.
	Technological – The pace and breadth of technological advances is increasing, and could lead to obsolescence of current platforms and systems. Innovations in artificial intelligence, blockchain, and mobile commerce, for example, continuously reshape consumer expectations and industry standards. Failing to utilise these technologies could eliminate competitive advantage. Additionally, third party partners, such as Google, will embrace these technologies in different ways, which could present a meaningful risk to how the business operates.	The Group continues to allocate a significant annual budget to software development: £3.7m capitalised in FY24 (FY23: £5.3m). It is important that a proactive approach to technology investment and innovation is taken, including regular assessments of emerging technologies, investing in scalable and adaptable digital infrastructure, and fostering a culture of continuous learning within the in-house development team. Utilisation of third-party technologies should be explored to enable the Group to take advantage of technological advances with lower barriers to entry than self-build. This will allow the Group to mitigate risk, and harness opportunities to enhance service offerings and operational efficiencies. As a pure-play e-commerce business the Group has experience in responding to technical changes which impact the Group's ability to trade effectively.

Operations continued

Risk	Description	Mitigation
IT and Cyber Security Key Risk: cyber security landscape continues to evolve, with more sophisticated threats.	**Cyber Security** poses a complex and evolving challenge for the Group, as the sophistication and frequency of cyber-attacks continue to rise. The nature of our operations exposes us to vulnerabilities such as data breaches, aggressive bots, ransomware attacks, and phishing schemes, which can compromise customer trust, result in significant financial losses, and damage the Group's brand reputation. Attacks can result in website slowdown or unavailability, loss of data, a failure by the Group to protect the confidential information of its customers from security breaches, delays in transaction processing, or the inability to accept and fulfil customer orders – each of these would fundamentally affect the Group's business.	The Group seeks to mitigate this risk by continual investment in IT infrastructure, regular security assessments, review and adoption of security technologies, training and the adherence to robust incident response protocols. Current mitigations include utilisation of firewall technologies including Cloudflare and an in-house traffic management solution 'Traffic Warden', as well as utilisation of robust third-party technologies for payment processing. The Group has a disaster recovery plan in place which has been designed to minimise the impact of data loss or corruption from hardware failure, human error, hacking or malware. Increased homeworking has been facilitated by multi-factor authentication, and strong virus and threat protection.
	Search marketing and PPC – In FY24 the Group spent £10.1m (FY23: £10.6m) on marketing, of which 86% was Pay-Per-Click-related ('PPC'). The landscape of search marketing, particularly PPC advertising, is highly dynamic, with frequent changes driven by search engine algorithms, consumer behaviour, and technological innovations. These changes can significantly impact the visibility, effectiveness, and cost-efficiency of PPC campaigns. Alongside the clear risk of high paid media price inflation, emerging trends such as the rise of voice search, the integration of artificial intelligence in ad optimisation, and shifting user preferences towards privacy-focused browsing can all influence the performance of the Group's search marketing.	The Group combines investment in in-house expertise, strong relationships with third parties and continuing advancement in paid media supporting technology, to deliver a focused strategy of search marketing evolution. The Group has a proven record of embracing change in the search marketing space, with an increasing focus on automation such as the March 2024 quality and relevance upgrade to the data supplied to search marketing partners. Ongoing projects such as the above will ensure marketing remains efficient, drives ROI and continues to be a competitive advantage for the Group.
Warehousing and Distribution Key Risk: 64% of FY24 sales are still fulfilled out of our York Distribution Centre.	**Distribution Centres** – Disruption to a Distribution centres' operation may have an effect on the Group's business. Distribution centres may suffer prolonged power or equipment failures, failures in its information technology systems or networks or damage from fires, floods, or other unforeseen events which may not be covered by or may exceed the Group's insurance coverage.	The Group operates from six DCs mitigating the risk of over-dependence on any single location. European DCs fulfilled 32% of FY24 sales. The Group, in conjunction with its insurance broker, ensures sufficient and appropriate insurance cover is in place. This includes Business Interruption cover. The Group has a formal Disaster Recovery Plan in place that details actions in specific situations.
	Logistics – The supply of product to customers in a timely manner is critical to the success of the Group. The Group operates its own warehouses, run by senior management that have significant experience in the sector. The Group may experience interruptions to the operation of its logistics partners networks that could prevent the timely or proper delivery of products, which could damage the Group's reputation and deter prospective customers. These risks are amplified during peak trading periods.	There are regular reviews of capacity and courier configurations across locations and plans developed to fulfil an increasing number of orders from the existing sites, and identify step-changes for consideration as and when required. The Group operates from six DCs, each with their own local logistics relationships, thereby reducing the dependency on any single site or local network. The Group maintains multiple delivery service providers to reduce the dependency on any single provider, and tracks service level agreements on an ongoing basis. This provides system flexibility to switch providers within a matter of days if required.

Risks and uncertainties continued

Brand and Proposition

Risk	Description	Mitigation
Brand	Developing and maintaining the reputation of the Group's brands is important to the on-going success of the Group. Brand identity is an important factor in retaining existing and attracting new customers. A failure by the Group to offer high quality products across a range of instruments, manufacturers and price points, excellent customer service and efficient and reliable delivery could damage its reputation and brands and could result in the loss of customer confidence. Unfavourable publicity concerning the Group could damage the Group's brands and its business. In FY22 the Group acquired the Eden and Premier brands, and launched AV.com.	Rigorous monitoring of customer feedback helps ensure issues are identified and rectified on a timely basis. Own-brand products are carefully selected and rigorously tested prior to initial order. All returned items and items submitted for trade-in are tested for performance and safety before being offered for resale. Financial PR advisors assist in external communications.
Competition	The UK and European retail markets for musical instruments and music equipment, and AV-products are competitive. Competitors in certain markets may compete aggressively on price for a period of time. Competitors may have financial resources greater than those of the Group. Amazon sells musical instruments and music equipment. Amazon as a direct competitor is lower risk given their focus on the lower AOV accessory end of the market and open, generalist products, as they do not have showrooms or specialist customer support. Amazon Marketplace is an enabler for Chinese manufacturers to sell direct into European markets. In FY22 G4M launched AV.com increasing its presence and ambition in the Audio-Visual market.	The Group has a track record of successfully competing on a wide range of factors including quality and range of products, price, product availability, product information, convenience, delivery options and service. The Group continues to invest in enhancing its proposition in these areas, such as improved video content, more responsive delivery services and enhanced ranges of quality own-brand products at all price points.

Resources and Relationships

Risk	Description	Mitigation
Supply chain Key Risk: an estimated 97% of own-brand products and 38% of other-branded products are manufactured in China.	**Third-party brands** – The Group's business depends on its ability to source a range of products from well-recognised third-party brands on commercially viable terms. Relationships are generally based on annual contracts that the Group seeks to renew each year. Third-party brand owners may stop supplying the Group on terms acceptable to it, fail to deliver sufficient quantities of products in a timely manner, or terminate their relationship with the Group. Any disruption to the availability or supply of products to the Group or any deterioration to the terms on which products are supplied to the Group could affect its business. As at March 2024 an estimated 38% of other-branded products listed on G4M sites (excluding BOMs) originate from China.	The Directors do not consider the Group to be significantly reliant on any one or more major brand. The Directors believe that the size of the Group, its purchase volumes and the strength of its relationship with the brand owners, built over a prolonged period in many cases, make it unlikely that any such arrangements would be terminated.
	Own-brands – *Reliance on sub-contract manufacturers* – The Group sub-contracts manufacture of its own-brand musical instruments and equipment to independent third-party businesses in China. At 31 March 2024 we estimate 97% of G4M own-brand products originate in China. Any disruption to supply or issues such as poor product quality could have an adverse impact on the Group's reputation. The impact of any issues arising with sub-contractors' products is exacerbated by the lead times involved (12-16 weeks). Furthermore, Chinese sub-contract manufacturers are understood to be reliant on upstream supply chain for the majority of their raw materials and component parts.	The Group has been successfully importing for over 21 years and has relationships with over 90 manufacturers providing resourcing options. The Board believes that the Group has robust take-on and ongoing monitoring procedures covering areas such as quality control and delivery performance for new and existing manufacturers that the Group seeks to adhere to rigidly. The Group are continually exploring additional sub-contract manufacturers in existing and new geographic locations.
Financial risk	The Group relies on bank debt to fund its working capital cycle. A material prolonged deterioration in trading performance could impact on covenants and the availability of banking facilities. A significant and sustained increase in UK interest rates may have an impact on the Group's cash flow. Certain suppliers may obtain credit insurance in respect of G4M balances. As a global retailer trading in nine currencies whilst recognising revenues and purchases in GBP as the Group's functional currency, there is a foreign exchange exposure.	The Group has a committed £30m RCF to at least June 2026 with renewal options. Detailed budgeting and rolling reforecasting ensures working capital is managed well within available facilities, and enables prompt response to adverse performance. The Group has a natural currency hedge as more of its costs are incurred in Euros and Swedish Krona, better reflecting the sales income profile by currency. The Finance function reviews the hedging policy at least once a year.
ESG	Failing to deliver on our ESG policy may result in our losing the trust and support of our stakeholders.	The Group is committed to reducing its impact on the environment, making positive improvements in its social commitments, whilst maintaining good corporate governance and behaviour.

Section 172: Duty to promote the success of the Company

resonate with stakeholders

The Board of Directors consider, both individually and together, that they have acted in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s.172 (a-f of the Companies Act) in the decisions taken during the year.

Our plan is designed to have a long-term beneficial impact on the Company and its stakeholders, and how it operates in practice is detailed on in our decision making on pages 52 to 54.

Engaging with our stakeholders and acting in a way that promotes the long-term success of the Company, while taking into account the impacts of our business decisions on our stakeholders, are central to our strategic thinking and our statutory duties in accordance with Section 172(1) of the Companies Act 2006 (s.172). The content in this section constitutes our s.172 Statement, as required under the Companies (Miscellaneous Reporting) Regulations 2018.

Our impacts on, and engagement with, our key stakeholder groups are considered within the implementation of our Group strategy. The stakeholder groups are employees, customers, our suppliers, our community, the environment and our shareholders. How we engage with these groups is covered throughout the report.

Our stakeholders are at the heart of our model

Stakeholder	How we engage
Employee engagement	We know that the foundations of a successful business are built on the hard work of a team of talented and motivated individuals. We strongly believe in growing our talent by recruiting only the best people, identifying individual strengths, and providing development opportunities with the scope for career progression as a result. The wellbeing of our colleagues is of paramount importance, and we continue to invest in our facilities to make our office a great place to work and collaborate. See page 33 for the wide range of initiatives we have implemented to support our people. Our intranet allows us to quickly and easily share information about Company news including policy updates, new starter welcomes, and internal promotions and changes. Every department has its own dedicated page for resources, helping support cross-departmental working. An organisational chart and structure help our colleagues better understand 'who is who' as the business grows in size.

Stakeholder	How we engage
Customer engagement	Effective communication with our customers is central to understanding their needs and wants, and developing our customer proposition. We monitor and respond to Trustpilot reviews, and look to learn from things that didn't meet the customer's expectation. We invest significant resource in generating high quality engaging content, in terms of product descriptions, and studio quality photographic and video assets. Improving customer experience is one of the key objectives when designing and implementing software development projects.
Supplier engagement	We work closely with our suppliers in a transparent way, operating on shared values and high standards, enabling our suppliers to participate in our success as we grow. We pay our suppliers to agreed terms to given them the certainty they require.
Community engagement	We have contributed to and worked with a number of charities through the year, and we have five such charitable partner case studies on pages 35 to 37.
The environment	We recognise the importance of sustainable business practices, and our progress is detailed on pages 31 and 39 to 41.

Stakeholder	How we engage
Shareholder engagement	The Group seeks to maintain a regular dialogue with both existing and potential investors to ensure that its strategy, business model and performance are clearly understood. Understanding what investors and analysts think and helping these audiences understand our business, is an important part of taking our business forward. The Chief Executive Officer and Chief Financial Officer regularly meet with investors and analysts to provide them with updates on the Group's business and to obtain feedback regarding the market's expectations of the Group. The Group's NOMAD and public relations advisor provide written feedback after these presentations and meetings, and this feedback is shared with the Board. The Group invites all shareholders to attend its Annual General Meeting where they can meet and question the Directors, and express ideas or concerns. The Notice of the Meeting is sent to shareholders at least 21 days before the meeting and the chairs of the Board and all committees together with all other Directors, routinely attend the AGM and are available to answer questions raised by shareholders. Where voting decisions are not in line with the Group's expectations the Board will engage with those shareholders to understand and address any issues. The Board receives copies of all articles relating to the Group that are published in the financial press, via its public relations advisors. The Annual Report & Accounts is published on the Company's investor website and can be accessed by shareholders.

The Strategic Report on pages 1 to 49 was approved by the Board on 24 June 2024 and signed on its behalf:

ANDREW WASS
DIRECTOR
24 June 2024

CHRIS SCOTT
DIRECTOR
24 June 2024

Board of Directors

Ken Ford
Chairman and Non-Executive Director

At 31 March 2024 Ken was a member of the Remuneration and Audit Committees.

Ken was previously Chief Executive of the quoted investment bank Teather & Greenwood. Ken brings over 39 years of City experience and a strong understanding of shareholder value, strategic planning and corporate transactions. Ken is a former Chairman of the Quoted Companies Alliance ('QCA') and is a Fellow of the Chartered Securities Institute.

Ken is currently Non-Executive Chairman of AIM-quoted companies SDI Group plc and CMO Group PLC, and Non-Executive Chairman of Chaleit Holdings Limited.

Andrew Wass
Chief Executive Officer

Andrew has over 27 years' business management experience, having founded Gear4music Limited (then called Soundpro Limited) in 1995. In 1998 he began selling IT systems for the audio recording market before launching 'Gear4music' in 2003. Since then, Andrew has retained overall responsibility for driving the Group's growth.

Between 1992 and 1998, Andrew set up and ran his own recording studio business, having studied Popular Music and Sound Recording at the University of Salford. Andrew is a keen pianist.

Chris Scott
Chief Financial Officer and Company Secretary

Before joining Gear4music in October 2012, Chris was the Finance Director at Officers Club, overseeing the sale of the business to Blue Inc. Chris joined KPMG LLP in Leeds in 1997, qualified as a Chartered Accountant in 2000 and went on to spend a further nine years in their advisory practice including a year on secondment at Barclays Bank. He holds an Executive Masters in Business Administration.

leadership

Gareth Bevan
Chief Commercial Officer

Gareth joined Gear4music in July 2012. He was previously at DV247, the largest UK-based musical equipment retailer at that time, where he was responsible for purchasing, sales and marketing. He has over 22 years' experience in musical equipment retail.

Dean Murray
Non-Executive Director

At 31 March 2024 Dean was Chair of the Audit Committee and a member of the Remuneration Committee.

Dean joined the Board of Gear4music in March 2012 as a Non-Executive Director and originally as Chairman. Dean is a Chartered Accountant.

Dean's previous roles include former Chief Financial Officer and Chief Operating Officer of Myriad Childrenswear Group, and was recently Chairman of French Connection Group plc and the Neville Johnson Group.

Dean is currently CEO of CMO Group PLC, Chairman of BHID Group Limited, and is a Director of M.S. Team Limited.

Harriet Williams
Non-Executive Director

At 31 March 2024 Harriet was Chair of the Remuneration Committee.

Harriet has spent the last 20 years working in the retail sector for some of the world's leading consumer brands, where she has led e-commerce and omnichannel sales, marketing, strategy and business development initiatives in the UK and internationally.

Between 2015 and 2018, Harriet was Chief Digital Officer at The Body Shop, where she played an integral role in the sale of the business in 2017 by L'Oreal to Natura. Harriet's other previous roles include working at Gucci, Debenhams and strategy consultants Marakon Associates.

Harriet is currently Vice President Global E-commerce at the LEGO Group and Non-Executive Director of Stockmann Group.

guidance

Corporate governance report

chairman's introduction

> Having served the Group for nine years, Dean Murray and I intend to step down from the Board in July 2024 and Andrew Wass will move from CEO to Executive Chair and Gareth Bevan, current CCO, will move to CEO. To underpin the new structure and provide strong, independent challenge and support, Neil Catto and Sharon Daly have agreed to join the Board as Senior Independent Director and Non-Executive Director respectively. Both bring significant relevant experience, and skills that will complement and improve the capability of the existing Board.

KEN FORD
CHAIRMAN

Neil Catto
Senior Independent Director (SID)

- Current CFO of Revolution Beauty
- NED and Audit Committee Chair of tinyBuild Inc.
- Former CFO of BooHoo Group Plc 2011-2022
- Neil has significant UK plc experience with previous positions at Dabs.com, BT Plc and Carphone warehouse
- Qualified as a chartered accountant with EY

Sharon Daly
Non-Executive Director (NED)

- Current Non-Executive Director of Warpaint London PLC, and member of their Audit and Remuneration Committees
- Current Non-Executive Director of Brickability Group Plc, and member of their Audit and Chair of the Remuneration Committee
- Co-founded Venture Life Group in 2010, who joined AIM in 2014
- More than 25 years of business experience

It is the Board's responsibility to ensure that Gear4music is managed for the long-term benefit of all shareholders. A corporate governance framework that is effective whilst dynamic is one of the foundations of a sustainable growth strategy and identifying, evaluating and managing risks and opportunities will underpin long-term value creation.

Quoted Companies Alliance Corporate Governance Code

The Directors apply the Quoted Companies Alliance Corporate Governance Code ('the QCA Code'), a proportionate, principles-based approach constructed around ten broad principles with accompanying guidance, and this section outlines how the Group operates in each of these key areas. The Group's application of the code is detailed on its website at https://www.gear4musicplc.com/investors/corporate-governance/.

By following the QCA code, my Board colleagues and I seek to ensure that the Group operates efficiently and effectively and communicates well, to promote confidence and trust in the Group's Board and management. The Board aims to balance the interests and expectations of the Group's many shareholders and stakeholders by observing a transparent set of rules, practices and processes. I believe that by adhering to this clear set of guidelines, the Group is well placed to deliver medium and long-term success.

The Board of Directors and Committees of the Board of Directors

The Board, which is headed by the Chairman, comprises six Directors of which three are Executive and three are Non-Executive, providing a broad range of relevant skills and experiences. The Board considers Ken Ford, Dean Murray and Harriet Williams to be 'independent' Non-Executives. Directors' profiles are detailed on pages 50 to 51. The Board met regularly throughout the year with ad hoc meetings held when required.

In FY24 a Nominations Committee was formed to lead on the evaluation of the Plc Board structure and composition post-the forthcoming retirement from the Board of Ken Ford and Dean Murray – see Nominations Committee report on page 58.

The role of the Board

The role of the Board is to provide leadership to the Group and to ensure the obligations of being a public company are adhered to. The Board bears collective responsibility for delivering on-going success through the development of appropriate strategies that are aligned to the Group's objectives, and deliverable with due consideration of risk and the resources available. The Board is also responsible for ensuring that a framework of effective controls is in place.

The Group is controlled by the Board of Directors. The Board is headed by the Chairman, comprises six Directors, of which three are Executive and three are Non-Executive, meeting the QCA Code's guidance that a board should have at least two independent Non-Executive Directors.

It is recognised that the current CEO and Executive Chair elect, Andrew Wass, being a major shareholder, risks individual dominance of the Board but the Board's view is that the independent NEDs and committees mitigate this risk.

The Board is satisfied that the six Directors collectively provide a broad range of relevant skills and experiences, and that the composition strikes a good balance between independence and knowledge of the business, to enable it to effectively discharge its duties and responsibilities.

The division of responsibilities between the Chairman and the Chief Executive Officer is clearly defined. The Chairman is responsible for ensuring the effectiveness of the Board and setting its agenda. The Chairman is not involved in the day-to-day running of the business. The Chief Executive Officer has direct charge of the Group on a day-to-day basis, and the Executive team has collective responsibility for the implementation of the Group's strategies and is accountable to the Board for the financial and operational performance of the Group.

There are certain matters that are reserved for the Board's consideration and these include, but are not limited to matters of strategy, key commercial developments, risk management, the consideration and approval of budgets, significant capital expenditure and recruitment, acquisitions and disposals, and the approval of financial statements.

The formal Board agenda includes an Executive report detailing the commercial, operational and financial performance of the Group. Further to formal Board meetings, the Board receives weekly key trend information covering all trading aspects of the business.

The Board determines the fees paid to Non-Executive Directors.

The performance of the Board is evaluated informally on an ongoing basis with reference to all aspects of its operation including, but not limited to the appropriateness of its skill level, the way its meetings are conducted and administered (including the content of those meetings), the effectiveness of the various Committees, whether Corporate Governance issues are handled in a satisfactory manner, and whether there is a clear strategy and objectives.

A new Director, on appointment, is briefed on the activities of the Group. Professional induction training is also given as appropriate. The Chairman briefs Non-Executive Directors on issues arising at Board meetings if required, and Non-Executive Directors have access to the Chairman at any time. Ongoing training is provided as needed. Directors are continually updated on the Group's business and on insurance and on issues covering pensions, social, ethical, environmental and health and safety by means of Board reports.

Corporate governance report continued

In the furtherance of their duties or in relation to acts carried out by the Board or the Group, each Director has been informed that they are entitled to seek independent professional advice at the expense of the Group. The Group maintains appropriate cover under a Directors and Officers insurance policy in the event of legal action being taken against any Director.

Each Director is appraised through the normal appraisal process. The Chief Executive Officer is appraised by the Chairman, the Chairman and Executive Board members by the Chief Executive Officer, and the Non-Executive Board members by the Chairman. The Executive Chairman will be appraised by the 'Senior Independent Director' ('SID'). Each Director has access to the services of the Company Secretary if required.

The Non-Executive Directors are considered by the Board to be independent of management and are free to exercise independence of judgement. They receive no other remuneration from the Group other than the Directors' fees and their shareholdings as disclosed.

The Board is supported by three committees – an Audit Committee, a Remuneration Committee, and a Nominations Committee constituted in FY24 to oversee the transition to a new Board structure, and the selection of two new Non-Executive Directors.

The table below shows the number of Board meetings and Audit Committee and the Remuneration Committee meetings held in the period from 1 April 2023 to the date of approval of the Annual Report & Accounts. The table also show the attendance of each Director:

Director	Role	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nominations Committee meetings
Ken Ford	Non-Executive Chairman	12/12	3/3	2/2	2/2
Dean Murray	NED	12/12	3/3	2/2	2/2
Harriet Williams	NED	12/12		2/2	2/2
Andrew Wass	CEO	12/12			
Chris Scott	CFO	12/12	3/3	2/2	
Gareth Bevan	CCO	12/12			

Re-election

At each Annual General Meeting one third (or whole number less than one third) of the Directors retires by rotation, and in September 2023 this was Gareth Bevan and Chris Scott.

In addition, Directors are subject to re-election at the Annual General Meeting following their appointment.

Shareholder communications

The Group seeks to maintain a regular dialogue with both existing and potential investors to ensure that its strategy, business model and performance are clearly understood. Understanding what investors and analysts think and helping these audiences understand our business, is an important part of taking our business forward.

The Chief Executive Officer and Chief Financial Officer regularly meet with investors and analysts to provide them with updates on the Group's business and to obtain feedback regarding the market's expectations of the Group.

The Group's NOMAD and public relations advisor provide written feedback after these presentations and meetings, and this feedback is shared with the Board.

The Group invites all shareholders to attend its Annual General Meeting where they can meet and question the Directors, and express ideas or concerns. The Notice of the Meeting is sent to shareholders at least 21 days before the meeting and the chairs of the Board and all committees together with all other Directors, routinely attend the AGM and are available to answer questions raised by shareholders.

Where voting decisions are not in line with the Group's expectations the Board will engage with those shareholders to understand and address any issues.

The Board receives copies of all articles relating to the Group that are published in the financial press, via its public relations advisors.

The Annual Report & Accounts is published on the Company's investor website and can be accessed by shareholders.

Internal controls

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

The Group highlights potential financial and non-financial risks which may impact on the business as part of the monthly management reporting procedures. The Board receives these monthly management reports and monitors the position at Board meetings.

An Operational Board comprising the three Executive Directors, the two further Directors of the trading subsidiary, and four senior managers, and meets regularly to analyse and discuss operational and commercial matters, and identifies any material matters to escalate to the Plc Board. The Operational Board formally met ten times in the financial year.

The Board confirms that there are ongoing processes for identifying, evaluating and mitigating the significant risks faced by the Group.

The Group's internal financial control and monitoring procedures include:

- clear responsibility on the part of line and financial management for the maintenance of good financial controls and the production of accurate and timely financial management information;
- the control of key financial risks through appropriate authorisation levels and segregation of accounting duties;
- a comprehensive budgeting process completed once a year that is reviewed and approved by the Plc Board;
- detailed monthly reporting of trading results including detailed profit and loss accounts, balance sheets and cash flows, with supporting variance analysis;
- reporting on any non-compliance with internal financial controls and procedures; and
- review of reports issued by the external auditor.

There is no internal audit department.

The Audit Committee, on behalf of the Board, reviews reports from the external auditor together with management's response regarding proposed actions. In this manner they have reviewed the effectiveness of the system of internal controls for the period covered by the accounts.

Audit Committee report

DEAN MURRAY
CHAIR OF AUDIT COMMITTEE

Overview

The Audit Committee ('Committee') is established by and is responsible to the Board. It has formally delegated duties and responsibilities and has written terms of reference. Its main responsibilities are:

- to monitor and be satisfied with the truth and fairness of the Group's financial statements before submission to the Board for approval, ensuring their compliance with the appropriate accounting standards, the law, and the AIM Rules;
- to monitor and review the effectiveness of the Group's system of internal control;
- to make recommendations to the Board in relation to the appointment of the external auditor and their remuneration, following appointment by the shareholders in general meeting, and to review and be satisfied with the auditor's independence, objectivity and effectiveness on an ongoing basis; and
- to implement the policy relating to any non-audit services performed by the external auditor.

Membership of the Audit Committee

Dean Murray is the Chair of the Committee and the other member is Ken Ford, both of whom are Non-Executive Directors and have wide experience in regulatory and risk issues.

Role and Operation of the Audit Committee

The Committee is authorised by the Board to seek and obtain any information it requires from any officer or employee of the Group, and to obtain external legal or other independent professional advice as is deemed necessary by it.

Meetings of the Committee are held at least twice per year and the auditor is invited to these meetings. The Committee meets early in the financial year to discuss and agree the scope for the forthcoming external audit, and again to review the findings of the external audit in relation to internal control and the financial statements. At this meeting, the Committee carries out a review of the year-end financial statements and of the audit, using as a basis the Report to the Audit Committee prepared by the external auditor and taking into account any significant accounting policies, any changes to them and any significant estimates or judgements. Questions are asked of management of any significant or unusual transactions where the accounting treatment could be open to different interpretations.

The Committee receives reports from management on the effectiveness of the system of internal controls. It also receives, from the external auditor, a report of matters arising during the course of the audit which the auditor deems to be of significance for the Committee's attention. The statement on internal controls and the management of risk, which is included in the annual report, is approved by the Committee.

The 1998 Public Interest Disclosure Act and the 2013 Enterprise and Regulatory Reform Act (together 'the Acts') aims to promote greater openness in the workplace and ensures 'whistle blowers' are protected. The Group maintains a policy in accordance with the Acts which allows employees to raise concerns on a confidential basis if they have reasonable grounds in believing that there is serious malpractice within the Group. The policy is designed to deal with concerns, which must be raised without malice and in good faith, in relation to specific issues which are in the public interest, and which fall outside the scope of other Group policies and procedures. There is a specific complaints procedure laid down and action will be taken in those cases where the complaint is shown to be justified. The individual making the disclosure will be informed of what action is to be taken and a formal written record will be kept of each stage of the procedure.

The external auditor is required to give the Committee information about policies and processes for maintaining their independence and compliance regarding the rotation of audit partners and staff. The Committee considers all relationships between the external auditor and the Group to ensure that they do not compromise the auditors' judgement or independence particularly with the provision of non-audit services.

External auditor and Non-audit services

Fees in relation to services provided by the external auditor, Grant Thornton UK LLP, in FY24 and FY23 were:

	FY24	FY23
Audit fee	**152**	139
Non-audit fees:		
Other audit related services	**6**	5
Total fees	**158**	144

The Committee is satisfied with the independence and objectivity of the auditors.

DEAN MURRAY
NON-EXECUTIVE DIRECTOR

24 June 2024

Remuneration Committee report

HARRIET WILLIAMS
CHAIR OF REMUNERATION COMMITTEE

As an AIM listed Company, Gear4music (Holdings) plc is not required to comply with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Membership of the Remuneration Committee

Harriet Williams is Chair of the Committee and the other members are Ken Ford and Dean Murray. They have no personal financial interest in the Group except for fees in relation to their holding of office and their shareholding as disclosed, with no potential conflict of interests and no day-to-day involvement of the Group.

The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to remuneration, terms of service, granting of share options and other equity incentives.

The Remuneration Committee meets at least twice a year.

Remuneration policy

The remuneration policy is designed to attract, retain and motivate high calibre executives to ensure the Group is managed successfully to the benefit of shareholders.

Share ownership is encouraged and all the executives are interested in the share capital.

In setting remuneration levels, the Committee takes into consideration remuneration levels and practices in other companies of a similar size and in similar sectors.

Non-Executive Directors

Remuneration of the Non-Executive Directors is determined by the Executive Directors. Non-Executive Directors are not entitled to pensions beyond the required statutory minimums, annual bonuses or employee benefits, nor are they entitled to participate in share option arrangements relating to the Company's shares.

Each of the Non-Executive Directors has a letter of appointment noting their appointment may be terminated with one month's notice.

Their fees are reviewed annually and set in line with prevailing market conditions and at a level which will attract and retain individuals with the necessary experience and expertise to make a significant contribution to the Group's affairs.

Directors' interests

Details of the Directors' shareholdings are included in the Directors' report on page 59.

Directors' remuneration

The normal remuneration arrangements for Executive Directors consist of basic salary and private medical insurance. Five Directors including the CEO are enrolled in the Group workplace pension scheme.

Andrew Wass has a service agreement terminable by the Company with twelve months' notice; Gareth Bevan and Chris Scott have service agreements terminable by the Company with six months' notice.

The remuneration of each of the Directors for the year ended 31 March 2024 is set out below:

	Basic salary £000	Bonus £000	Benefits £000	Pensions £000	**Total FY24 £000**	Total FY23 £000
Executive						
Andrew Wass	220	–	2	8	**230**	232
Gareth Bevan	183	–	2	7	**192**	195
Chris Scott	183	2	2	6	**193**	190
Non-Executive						
Ken Ford	44	–	–	–	**44**	44
Dean Murray	42	–	–	1	**43**	43
Harriet Williams	43	–	–	2	**45**	45
Total:	**715**	**2**	**6**	**24**	**747**	749

Life cover policies with a value of £1m and families as beneficiaries are in place in relation to Andrew Wass, Chris Scott and Gareth Bevan.

Directors' share options

Executive	Scheme	1 April 2023	Forfeit and replaced during the year	Granted during the year	31 March 2024	Date granted
Andrew Wass	LTIP (2018)	32,850	32,850	–	–	Nov 2018
	LTIP (2021)	75,420	75,420	–	–	Oct 2021
	LTIP (2023)	–	–	250,000	250,000	July 2023
Gareth Bevan	LTIP (2018)	38,325	38,325	–	–	Nov 2018
	LTIP (2021)	113,130	113,130	–	–	Oct 2021
	LTIP (2023)	–	–	250,000	250,000	July 2023
Chris Scott	LTIP (2018)	32,850	32,850	–	–	Nov 2018
	LTIP (2021)	37,710	37,710	–	–	Oct 2021
	LTIP (2023)	–	–	250,000	250,000	July 2023

LTIPs

On 21 July 2023 the Group adopted a replacement long term incentive plan ('LTIP') with share awards made to key members of the management team, including Andrew Wass, Gareth Bevan and Chris Scott each participating with 250,000 'E' Ordinary shares awarded in Gear4music Limited ('G4M Ltd').

The new LTIP replaced the two existing LTIPs established in 2018 (and subsequently re-based in 2020) and in 2021 in full, with all awards made under those LTIPs replaced and cancelled.

The initial subscription cost for Andrew Wass and Gareth Bevan was paid with the proceeds received from the redemption by G4M Ltd of the 'C' Ordinary shares and 'D' Ordinary shares from the 2018 and 2021 LTIPs respectively at their nominal value. The initial subscription cost for Chris Scott was paid with the proceeds received from the redemption by G4M Ltd of the 'C' Ordinary shares and 'D' Ordinary shares from the 2018 and 2021 LTIPs respectively at their nominal value, and £1,580 in cash paid by way of a cash bonus.

HARRIET WILLIAMS
NON-EXECUTIVE DIRECTOR
24 June 2024

Nominations Committee report

KEN FORD
CHAIR OF NOMINATIONS COMMITTEE

The Nominations Committee identifies and nominates, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Committee also considers matters of succession planning.

Membership of the Nominations Committee

In FY24 and mindful of two Non-Executive Directors approaching their nine-year tenure, a Nominations Committee was constituted chaired by Ken Ford, supported by Dean Murray and Harriet Williams as members.

Revised Board structure from July 2024

Having served the Group since IPO in 2015, Ken Ford (Non-Executive Chair) and Dean Murray (NED) are approaching the end of their nine-year tenure and are intending to step down from the Board in July 2024.

The Board and Nominations Committee have diligently evaluated revised Board structures to ensure the best outcomes for all stakeholders and, having consulted with advisors and certain of the Company's major shareholders, the Group concluded and announced the following changes planned from July 2024:

- Ken Ford to step down as Non-Executive Chair and NED
- Dean Murray to step down as NED
- Andrew Wass to move from CEO to Executive Chair
- Gareth Bevan, current CCO, to be appointed as CEO
- Neil Catto to join the Board as Senior Independent Director, Audit Committee Chair and member of the Remuneration Committee
- Sharon Daly to join the Board as NED and member of the Audit and Remuneration Committees
- Chris Scott's and Harriet Williams' (CFO and NED respectively) roles and responsibilities remain unchanged

Neil Catto has significant experience of serving on the boards of AIM-listed companies as both Executive and Non-Executive Director. Neil was CFO of Boohoo between 2011 and 2022 and is now CFO of Revolution Beauty, having initially joined as a Non-Executive Director in 2023. Neil is also a non-executive director of tinyBuild Inc. He was previously Finance Director of dabs.com plc and has held senior financial positions in BT plc and The Carphone Warehouse Group. Neil qualified as a chartered accountant with EY.

Sharon Daly also has significant experience of serving on the boards of AIM-listed companies as both Executive and Non-Executive director. Sharon joined Warpaint London PLC as a Non-Executive Director in January 2024 and is a member of their Audit and Remuneration Committees. Sharon has more than 25 years of business experience, predominantly in marketing, international sales and business development roles. Sharon co-founded Venture Life Group in 2010 and made a significant contribution to the growth of the business from inception, until she left in 2023, including its admission to trading on AIM in 2014. Sharon is also an Independent Non-Executive Director at AIM listed Brickability Group Plc, where she is a member of the Audit Committee and Chair of the Remuneration Committee.

KEN FORD
CHAIRMAN AND NON-EXECUTIVE DIRECTOR
24 June 2024

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 March 2024.

Principal activity

The principal activity of the Group is the retail of musical instruments and equipment, through 20 Gear4music branded websites and AV.com, and showrooms in York, Bacup, Sweden and Germany. It retails own and other branded products.

Overseas branches

Gear4music, through various subsidiaries, as detailed on page 86, operates distribution centres in Sweden, Germany, Ireland and Spain.

Items covered in the Strategic report

This report includes sections on strategy and markets and considers key risks and key performance indicators.

A review of the Group's current operations and future developments is covered in the Chief Executive Officer's report and the Financial Review.

Financial results

Details of the Group's financial results and position are set out in the Consolidated Statement of Profit and Loss and other comprehensive income, other primary statements and notes to the accounts on pages 69 to 98.

Dividends

The Directors do not recommend the payment of a dividend (FY23: nil).

Going concern

After making appropriate enquiries, the Directors have confidence that the Group has adequate resources to continue in operational existence for the foreseeable future, and continue to adopt the going concern basis in preparing the Annual Report and Accounts. This is described in more detail in Note 1.

Directors

The Directors who served on the Board and on Board Committees during the year are set out on pages 50 to 58. One-third of the Directors are required to retire at the Annual General Meeting and can offer themselves for re-election.

Information on Directors' remuneration and share option rights is given in the Remuneration Committee report on pages 56 to 57.

Significant shareholders

The Company is informed that at 29 April 2024, individual registered shareholdings of more than 3% of the Company's issued share capital were as follows:

	Number of shares	% of issued share capital
Andrew Wass	4,776,993	22.8%
Liontrust Investment Partners LLP	3,866,988	18.4%
Mr Richard Harpin	2,251,289	10.7%
FIL Limited	1,751,742	8.4%
AXA Investment Mgrs S A	840,913	4.0%
Octopus Limited	634,018	3.0%

Directors' shareholdings

The beneficial interests of the Directors in the share capital of the Company at 1 April 2023 and 31 March 2024 were as follows:

	1 April 2023 Number of shares	31 March 2024 Number of shares	31 March 2024 % of issued share capital
Executive Directors			
Andrew Wass	4,776,993	4,776,993	22.8%
Gareth Bevan	91,585	91,585	0.4%
Chris Scott	80,690	80,690	0.4%
Non-Executive Directors			
Dean Murray	167,520	167,520	0.8%
Ken Ford	40,000	40,000	0.2%

The middle market price of the Company's Ordinary shares on 31 March 2024 was 137.0 pence (31 March 2023: 86.0 pence), and the range in the year was 82.5 pence to 166.0 pence, with an average of 123.4 pence.

Research and development

The Group capitalised £3.7m of software development costs during the year (FY23: £5.3m) and expensed £0.18m of R&D costs (FY23: £0.28m) relating to the in-house e-commerce software platform.

Amortisation of the software platform totalled £3.7m in the year (FY23: £3.1m).

Financial instruments

The Group's policy and exposure to financial instruments is set out in Note 20.

Directors' report continued

Qualifying third party indemnity
The Company has provided an indemnity for the benefit of its current Directors which is a qualifying third-party indemnity provision for the purpose of the Companies Act 2006.

Employee involvement
It is the Group's policy to involve employees in its progress, development and performance. Applications for employment by disabled persons are fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. The Group is a committed equal opportunities employer and has engaged employees with broad backgrounds and skills. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who is fortunate enough not to suffer from a disability. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues.

See pages 32 to 34 for more information on employee engagement matters.

Donations
During the year ended 31 March 2024 the Group made charitable donations totalling £8,750 (FY23: £7,500).

Supplier payment policy and practice
The Group does not operate a standard code in respect of payments to suppliers. The Group agrees terms of payment with suppliers at the start of business and then makes payments in accordance with contractual and other legal obligations.

The number of creditor days outstanding at 31 March 2024 was 28 days (31 March 2023: 27 days). This is a weighted average by invoice value, with reference to actual invoice and payment dates.

Greenhouse Gas emissions
The disclosures required under 'Streamlined Energy and Reporting' ('SECR') for the Group and Gear4music Limited are included below, and insight into initiatives to reduce the direct environmental impact of the Group are detailed in our Climate Report on pages 38 to 41.

	Year ended 31 March 2024	Year ended 31 March 2023 (Restated)
Scope 1 – Combustion of fuel and operation of facilities (kWh)	**1,814,698**	1,915,708
Scope 2 – Electricity, heat, steam, and cooling purchased for own use (kWh)	**1,640,734**	2,047,627
Total energy use (kWh)	**3,455,432**	3,963,335
CO_2e equivalent (tCO_2e)	**675**	749
Intensity measurement – tCO_2e per customer order	**0.026**	0.025

Energy use and emissions figures in the year-ended 31 March 2023 have been restated further to the detailed analysis and external guidance in our preparatory TCFD work. The net effect has been reported FY23 total energy use has increased from 3,612,091kWh to 3,963,335kWh, and CO_2e emissions have decreased from 923 tCO_2e to 749 tCO_2e.

In the year ended 31 March 2024 Scope 1 emissions fell by 5% and Scope 2 emissions by 14% partly due to closure of our Manchester office and also due to a number of energy-saving initiatives implemented over the period. At our head offices in York our gas kWh usage, which accounts for 33% of total gas kWh, has reduced by 30% in FY24 largely due to working with external consultants to optimise the air handling system. In a similar vein the electricity kWh usage has reduced by 22% year on year due to a number of energy saving measures such as turning off lights in the car park overnight.

Note: These emissions were calculated using the methodology set out in HM Government's 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance' (March 2019), and applies the conversion factors from Defra. This information has been prepared consistent with the guiding principles of the 'Climate Disclosure Standards Board' protocol. This information has not been independently audited. As required, only the impact of the Group's direct activities have been included. All material sources of emissions are reported.

Corporate governance
Details regarding the Group's corporate governance arrangements are detailed in the Governance section included in this Annual Report.

Auditor
A resolution for the reappointment of Grant Thornton UK LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board:

CHRIS SCOTT
CHIEF FINANCIAL OFFICER
24 June 2024

Registered office:
Holgate Park Drive
York
YO26 4GN

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards and they have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether applicable UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- for the Parent Company financial statements, state whether applicable UK Generally Accepted Accounting Practice has been followed, subjected to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

To the best of our knowledge:

- the Group financial statements, prepared in accordance with UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

ANDREW WASS
DIRECTOR
Dated: 24 June 2024

CHRIS SCOTT
DIRECTOR
Dated: 24 June 2024

Independent auditor's report to the members of Gear4music (Holdings) plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Gear4music (Holdings) plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2024, which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the notes to the consolidated financial statements including a summary of significant accounting policies, the Company Balance Sheet, the Company Statement of Changes in Equity and notes to the company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (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 31 March 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We are responsible for concluding on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

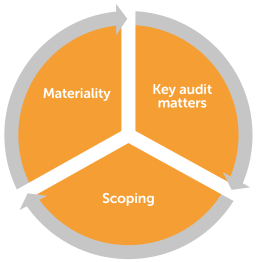
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Our approach to the audit

Grant Thornton



Overview of our audit approach

Overall materiality:

Group: £720,000, which represents 0.5% of the Group's revenue.

Parent Company: £432,000 which represents 3% of the Parent Company's Net Assets.

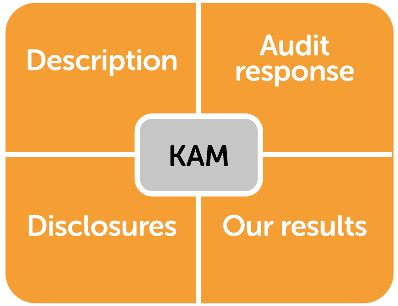
Key audit matters were identified as:
- Going concern (same as previous year); and
- The revenue cycle includes fraudulent transactions (same as previous year); and
- Existence and valuation of internally generated development costs (same as previous year).

Our auditor's report for the year ended 31 March 2023 included no key audit matters that have not been reported as key audit matters in our current year's report.

We have performed the following audit work:
- An audit of the financial information of the main trading entity (Gear4music Limited) using component materiality (full scope audit);
- Specific audit procedures on the financial information of the Parent Company; and
- Analytical procedures at Group level (analytical procedures) on all other Group components.

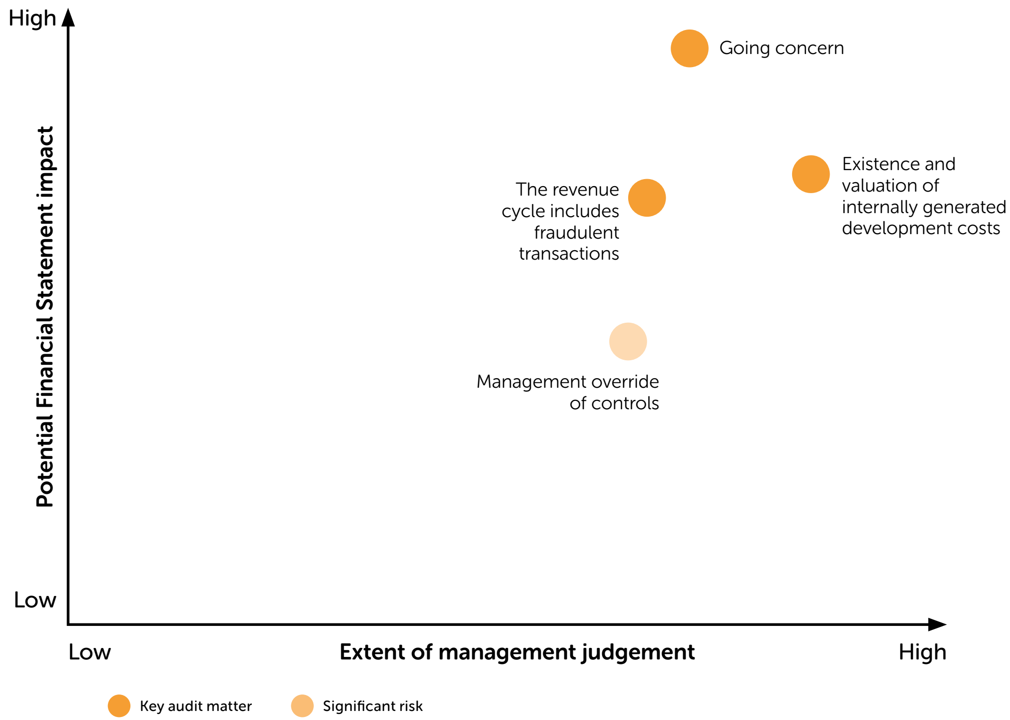
In total, our full scope audit procedures covered 99% of the Group's revenue and 93% of the Group's total assets.

Key audit matters



Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the graph below, we have presented the key audit matters and significant risks relevant to the audit. This is not a complete list of all risks identified by our audit.



Independent auditor's report to the members of Gear4music (Holdings) plc continued

Key Audit Matter – Group	How our scope addressed the matter – Group
Going concern We identified going concern as one of the most significant assessed risks of material misstatement due to error as a result of the judgement required to conclude whether there is a material uncertainty related to going concern. The financial statements are prepared on the Going Concern basis. However, going concern continues to be an area of increased focus for regulators and other stakeholders. Both internal and external factors heighten the going concern risk for the Group. Internally, the Revolving Credit Facility has leverage, interest cover, and capital expenditure covenants attached. Forecast draw down values and trading performance can both give rise to a risk of a covenant breach. Externally, current macro-economic challenges are impacting many businesses and resulting in increased costs. These same factors are seeing consumers reduce spend on non-essential items. The impacts of such uncertainties are ongoing, and could adversely impact the future trading performance of the Group, leading to increased uncertainty in cash flows which results in an increased level of judgement required from management in respect of the forward-looking assessment.	In responding to the key audit matter, we performed the following audit procedures: • Obtained management's going concern assessment, including management's base case and reverse stress test covering the assessment period to 30 June 2025, and assessed their integrity and suitability as a basis for management to assess going concern; • Validated the mathematical accuracy of management's forecasts; • Evaluated the key assumptions within the cash flow forecasts, including the quantum and timing of cash outflows and inflows and determined whether these have been applied appropriately. We have also considered whether the key assumptions are consistent with our understanding of the business, and with the expected wider uncertainties; • Assessed whether the forecasts used for going concern are consistent with those used in other areas of the audit, including the impairment review; • Assessed the accuracy of management's past forecasting by comparing management's forecasts for at least the last two financial periods to the actual results for those periods and considered the impact on the cash flow forecast; • Corroborated the existence of the Group's facilities and related covenant requirements for the period covered by management's forecasts and tested the covenant compliance in the going concern period; • Compared post year-end results achieved to those forecasted to determine if the business is trading in line with forecast; • Evaluated management's stress testing and sensitivity analysis to ensure that this appropriately considers the current and potential future impact of wider cost inflations and other external economic factors on the Groups financial performance; and • Assessed the adequacy of the going concern disclosures included within the Annual Report and Accounts.
Relevant disclosures in the Annual Report The Group's accounting policies on the Going Concern assumption are shown in Note 1.4 to the Financial Statements.	**Our results** We have nothing to report in addition to that stated in the 'Conclusions related to going concern' section of our report.

Additional disclosure is included in the Directors report on page 59.

Key Audit Matter – Group	How our scope addressed the matter – Group
The revenue cycle includes fraudulent transactions We identified the possibility that the revenue cycle includes fraudulent transactions as one of the most significant assessed risks of material misstatement due to fraud. Revenue is the most significant item in the Consolidated Statement of Profit and Loss and Other Comprehensive Income (£144m) and impacts several of the Group's key performance indicators set out in the Annual Report and Financial Statements. Revenue is recognised in accordance with International Financial Reporting Standard (IFRS) 15 'Revenue from Contracts with Customers' and requires management judgement and estimation where adjustments are made. We determined that the significant risk in revenue relates to entries falling outside the expected transaction flow, as identified using data analytic techniques, and in the year-end adjustments (including adjustments in respect of sales cut-off, the warranty income provision and credit notes).	In responding to the key audit matter, we performed the following audit procedures: • Assessed the relevant accounting policies for consistency and appropriateness with the financial reporting framework, including IFRS 15; • Utilised data analytic techniques to identify unusual postings to revenue by interrogating the revenue population, including analysing revenue postings from inception to cash receipt. This was also to identify any unexpected ledger postings, including manual entries, which we have then agreed to supporting documentation; • Performed a substantive analytical procedure on the cut-off adjustment by reference to the adjustment recognised in the prior year, and the value of revenue transactions around the year end; • Challenged and corroborated the judgements and assumptions used in management's cut-off adjustment calculation, agreed a sample of dispatches made close to the year-end to proof of delivery to confirm that the cut-off is appropriate; • Recalculated the warranty income recognised, challenging management on the inputs into the model, including the expected timing of satisfying the related performance obligation and perform a substantive analytical review on the amount of warranty income recognised in the year; • Performed substantive analytical procedures on the credit note adjustment with reference to the average value of returns per month and the value of revenue around the year-end; • Selected a sample of post year-end credit notes to test the completeness and accuracy of the returns provision at the year-end; • Tested the operating effectiveness of controls over the bank reconciliation process to support the data analytics techniques and the relationship between revenue and cash; and • Tested a sample of revenue transactions to supporting documentation to verify the occurrence and accuracy of revenue.
Relevant disclosures in the Annual Report The Group's accounting policy on revenue recognition is shown in Note 1.16 to the Financial Statements. Related disclosures are included in Note 2.	**Our results** Based on our audit work, we did not identify any material misstatements in the revenue recognised in the year to 31 March 2024.

Key Audit Matter – Group	How our scope addressed the matter – Group
Existence and Valuation of internally generated development costs We identified the capitalisation of internally generated development costs relating to the Group's bespoke e-commerce platform as one of the most significant assessed risks of material misstatement due to error. The Group capitalises internally generated software development costs. There is a risk of material misstatement due to error. There are judgements made by management in respect of capitalising internally generated development costs and as such there is a risk that the specific requirements under IAS 38 'Intangible Assets' regarding capitalisation of internally generated intangible assets are not met. We have pinpointed our significant risk to the appropriate capitalisation of software developers' salaries.	In responding to the key audit matter, we performed the following audit procedures: • Assessed management's capitalisation policy for intangible assets to ensure it is reasonable and in accordance IAS 38; • Selected a sample of capitalised costs which we have assessed whether the nature of the expenditure meets the criteria for capitalisation set out in the standard and challenged management on the quantum of the costs which are capitalised in the year; • Performed a substantive analytical procedure to gain assurance over the total capitalised value with reference to movement in number of employees, the average capitalised salary, and the total capitalised employee costs as per payroll data; • Selected a sample of employees, and tested their capitalised value and role to underlying data, including employment contracts and payroll records to confirm the existence and accuracy of amounts capitalised; • Selected a sample of the development projects in the year and assessed the appropriateness to capitalise against the relevant standard; and • Reviewed the development projects for indicators of impairment based on current plans and usage of each element of software.
Relevant disclosures in the Annual Report The Group's accounting policy on the capitalisation of internally generated costs is shown in Note 1.11 to the Financial Statements. Related disclosures are included in Note 11.	**Our results** Based on our audit work, we have identified that the capitalisation of internally generated development costs has been accounted for in accordance with the Group's accounting policies and IAS 38. We have not identified any material misstatements with respect to capitalisation of these costs.

We did not identify any key audit matters relating to the audit of the financial statements of the Parent Company only.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

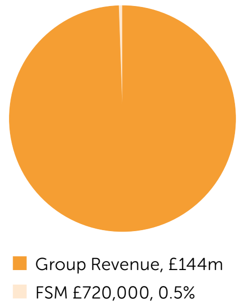
Materiality measure	Group	Parent Company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£720,000 (2023: £465,000), which represents 0.5% of Group revenue. The range of component materialities used across the Group was £432,000 to £684,000.	£432,000 (2023: £291,000), which represents 3% of net assets.
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements: • selection of appropriate benchmark; • selection of an appropriate percentage to apply to that benchmark; and • consideration of other qualitative factors. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2023 (Group revenue; 0.3%) as a result of a reassessment of the appropriate materiality resulting in an increase in the percentage applied to revenue. We determined that revenue was the most appropriate benchmark for the Group due to it being a key performance indicator for the Group's stakeholders and it being less volatile than earnings for the Group.	In determining materiality, we made the following significant judgements: • selection of appropriate benchmark; • selection of an appropriate percentage to apply to that benchmark; and • consideration of other qualitative factors. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2023 as a result of a change in the materiality benchmark. The threshold (net assets) and percentage (3%) used for the year ended 31 March 2024 differ to those used for the year ended 31 March 2023 (total assets; 2%). Net assets have been determined as the most appropriate benchmark of a company that is primarily a holding company.

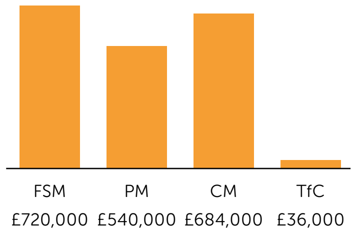
Independent auditor's report to the members of Gear4music (Holdings) plc continued

Materiality measure	Group	Parent Company
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£540,000 (2023: £348,750), which is 75% (2023: 75%) of financial statement materiality.	£324,000 (2023: £218,250), which is 75% (2023: 75%) of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgements: • Our understanding of the entity, updated during the performance of risk assessment procedures; and • Our experience with auditing the financial statements of the Group in previous years (for example, the level of uncorrected misstatements in the prior year).	In determining performance materiality, we made the following significant judgements: • Our understanding of the entity, updated during the performance of risk assessment procedures; and • Our experience with auditing the financial statements of the Parent Company in previous years (for example, the level of uncorrected misstatements in the prior year).
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: • Directors' remuneration • Identified related party transactions outside of the normal course of business	We determined a lower level of specific materiality for the following areas: • Directors' remuneration • Identified related party transactions outside of the normal course of business
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£36,000 (2023: £23,300), which represents 5% of financial statement materiality, and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£21,600 (2023: £14,600), which represents 5% of financial statement materiality, and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

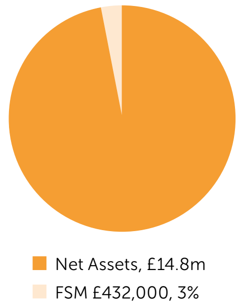
The graph below illustrates how performance materiality and the component materiality interacts with our overall materiality and the threshold for communication to the audit committee.

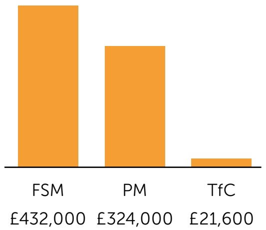
Overall materiality – Group





Overall materiality – Parent





FSM: Financial statement materiality, PM: Performance materiality, CM: Component materiality at tested component, TfC: Threshold for communication to the audit committee

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Group's and the Parent Company's business and in particular matters related to:

Understanding the Group, its components, and their environments, including Group-wide controls

- Obtaining an understanding of the Group and its environment, including Group-wide controls, and assessed the risks of material misstatement at the Group level; and
- Obtaining and documenting an understanding of the design of relevant controls that management have put in place over the process for evaluating the areas of significant risk and performed walkthroughs to assess their implementation.

Identifying significant components

- Evaluating the identified components to assess their significance and determining the planned audit response based on a measure of materiality. Significance was determined by reference to each component's contribution to the Group's total revenue, loss before tax and total assets.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- Performing a full scope audit on the financial information of Gear4music Limited. This entity contributes 99% of total revenue and 93% of total assets. The audit procedures carried out included a combination of test of details and substantive analytical procedures.
- Performing specific audit procedures on the financial information of the Parent Company.
- Performing analytical procedures for each of the remaining components, none of which were judged to be individually significant to the Group.
- The key audit matters have been addressed through substantive procedures.

Performance of our audit

- Our key audit matters were addressed through our full-scope audit procedures.
- Components subject to full scope audit contributed 99% of revenue and 93% of total assets as outlined per the below table.
- The Group engagement team attended year-end stock counts at the distribution centres in the UK. Other auditors from Grant Thornton member firms were engaged to attend the overseas counts under the direction of the Group audit team in Sweden, Germany, Spain and Ireland.
- The engagement team undertook all work, and the majority of the work was performed in person at the client site at their head office premises.

Audit approach	No. of components	% coverage total assets	% coverage revenue
Full-scope audit	1 (2023: 1)	84 (2023: 88)	99 (2023: 99)
Specified audit procedures	1 (2023: -)	8 (2023: -)	- (2023: -)
Analytical procedures	4 (2023: 6)	8 (2023: 12)	1 (2023: 1)
Total	6 (2023: 7)	100	100

Communications with component auditors

Grant Thornton member firms were engaged to carry out the overseas inventory counts. The Group engagement team carried out all other procedures on this inventory, including the tie through of inventory count results to year-end inventory listings.

Changes in approach from previous period

In the current year, the Parent Company was scoped to perform specific audit procedures given the material contributions in regard to the equity balances. This has changed from the previous year where the Parent Company was scoped as analytical procedures.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is 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.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

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

Matter on which we are required to report under the Companies Act 2006

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.

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 61, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report to the members of Gear4music (Holdings) plc continued

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Group and Parent Company, and the industry in which they operate. We determined that the most significant are applicable law and UK-adopted international accounting standards (for the Group), United Kingdom Generally Accepted Accounting Practice (for the Parent Company) and relevant tax regulations.
- We identified the relevant legal and regulatory frameworks and understood how the Parent Company and the Group are complying with those legal and regulatory frameworks by making inquiries of management and those responsible for legal and compliance procedures. We corroborated our inquiries through inspection of Board minutes.
- We enquired of management whether there were any known or suspected instances of noncompliance with laws and regulations or fraud that could have a material impact on the financial statements. We corroborated the results of our enquiries to supporting documentation such as Board minute reviews and papers provided to the Audit Committee.
- To assess the potential risks of material misstatement, we obtained an understanding of:
  - the Group's operations, including the nature of its revenue sources, expected financial statement disclosures and business risks that may result in risk of material misstatement; and
  - the Group's control environment including the adequacy of procedures for authorisation of transactions.
- We assessed the susceptibility of the Group's Financial Statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls.
- Audit procedures performed by the engagement team included:
  - evaluating the processes and controls established to address the risks related to irregularities and fraud;
  - journal entry testing, in particular journals determined to have a large impact on profit or that are indicative of unusual transactions based on our understanding of the business; and
  - challenging assumptions and judgements made by management in its significant accounting estimates.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team, including consideration of the engagement team's knowledge and understanding of the industry in which the client operates in, and their practical experience through training and participation with audit engagements of a similar nature; and
- Team communications in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in revenue recognition and areas of significant management judgement, including those related to the capitalisation of internally generated development costs. This is also reported as a key audit matter in the key audit matter section of our report where the matter and the specific procedures we performed in response to the matter are described in more detail.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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 the opinions we have formed.

MARK OVERFIELD BSC FCA
SENIOR STATUTORY AUDITOR
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
24 June 2024

Consolidated statement of profit and loss and other comprehensive income

	Note	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Revenue		144,384	152,039
Cost of sales	2	(104,947)	(112,996)
Gross profit		39,437	39,043
Administrative expenses	3,4,5	(37,609)	(38,705)
Other income	3	935	949
Operating profit before exceptional items		3,250	1,287
Exceptional items	1.3, 1.20	(487)	–
Operating profit		2,763	1,287
Financial expenses	7	(2,223)	(1,694)
Financial income	7	44	–
Profit/(loss) before tax		584	(407)
Taxation	8	67	(237)
Profit/(loss) for the year		651	(644)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	9	–	(550)
Deferred tax movements	13	150	147
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		177	–
Total comprehensive income/(loss) for the year		978	(1,047)
Basic profit/(loss) per share	6	3.1p	(3.1p)
Diluted profit/(loss) per share	6	3.0p	(3.1p)

The accompanying notes form an integral part of the Financial Statements.

Consolidated statement of financial position

	Note	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Non-current assets			
Property Plant and Equipment	9	10,862	11,934
Right-of-use assets	10	8,099	7,288
Intangible assets	11	22,049	22,049
		41,010	41,271
Current assets			
Inventories	14	25,643	34,381
Trade and other receivables	15	3,079	3,434
Corporation tax receivable	15	768	1,066
Cash and cash equivalents	16	4,696	4,460
		34,186	43,341
Total assets		75,196	84,612
Current liabilities			
Trade and other payables	18	(13,478)	(17,647)
Lease liabilities	19	(1,794)	(1,130)
		(15,272)	(18,777)
Non-current liabilities			
Interest-bearing loans and borrowings	17	(12,000)	(19,000)
Other payables	18	(91)	(83)
Lease liabilities	19	(7,599)	(7,470)
Deferred tax liability	13	(1,868)	(2,048)
		(21,558)	(28,601)
Total liabilities		(36,830)	(47,378)
Net assets		38,366	37,234
Equity			
Share capital	21	2,098	2,098
Share premium	21	13,286	13,286
Foreign currency translation reserve	21	103	(74)
Revaluation reserve	21	1,171	1,203
Retained earnings	21	21,708	20,721
Total equity		38,366	37,234

The Notes 1 to 23 form part of these Financial Statements.

These Financial Statements were approved by the Board of Directors on 24 June 2024 and were signed on its behalf by:

ANDREW WASS
DIRECTOR
24 June 2024

CHRIS SCOTT
DIRECTOR
24 June 2024

Company registered number: 07786708

Consolidated statement of changes in equity

	Share capital £000	Share premium £000	Foreign currency translation reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2022	2,098	13,286	(74)	1,606	21,120	38,036
Comprehensive loss for the year						
Loss for the year	–	–	–	–	(644)	(644)
Share-based payments charge	–	–	–	–	245	245
Other Comprehensive income:						
Freehold property revaluation	–	–	–	(550)	–	(550)
Deferred tax impact of revaluation	–	–	–	147	–	147
Total comprehensive loss for the year	–	–	–	(403)	(399)	(802)
Balance at 31 March 2023	2,098	13,286	(74)	1,203	20,721	37,234
Comprehensive income for the year						
Profit for the year	–	–	–	–	651	651
Share-based payments charge	–	–	–	–	154	154
Other Comprehensive income:						
Foreign currency translation difference	–	–	177	–	–	177
Deferred tax adjustment	–	–	–	–	150	150
Depreciation transfer	–	–	–	(32)	32	–
Total comprehensive income for the year	–	–	177	(32)	987	1,132
Balance at 31 March 2024	2,098	13,286	103	1,171	21,708	38,366

The accompanying notes form an integral part of the Financial Statements.

Consolidated statement of cash flows

	Note	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Cash flows from operating activities			
Profit/(loss) for the year		651	(644)
Adjustments for:			
Depreciation and amortisation	3	6,642	6,081
Financial expenses and financial income	7	2,173	1,694
(Profit)/loss on sale of property, plant and equipment		(16)	17
Share-based payment charge		184	282
Taxation income	8	(456)	(208)
		9,178	7,222
Decrease in trade and other receivables	15	355	14
Decrease in inventories	14	8,738	11,135
(Decrease)/increase in trade and other payables	18	(4,383)	1,865
		13,888	20,236
Tax received/(paid)	8	736	(530)
Net cash from operating activities		14,624	19,706
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		26	31
Acquisition of property, plant and equipment	9	(166)	(989)
Capitalised development expenditure	11	(3,726)	(5,319)
Business combinations: Deferred consideration	11	(25)	(419)
Acquisition of domains	11	(12)	(8)
Interest received	7	44	–
Net cash from investing activities		(3,859)	(6,704)
Cash flows from financing activities			
Interest paid		(2,106)	(1,694)
Repayment of borrowings	17	(7,000)	(9,000)
Payment of lease liabilities	19	(1,401)	(1,713)
Net cash from financing activities		(10,507)	(12,407)
Net increase in cash and cash equivalents		258	595
Cash at beginning of year		4,460	3,903
Foreign exchange movement		(22)	(38)
Cash at end of year	16	4,696	4,460

The accompanying notes form an integral part of the Financial Statements.

Notes to the consolidated Financial Statements

(forming part of the Financial Statements)

General Information

Gear4music (Holdings) plc is a public limited company, is incorporated and domiciled in the United Kingdom, and is listed on the Alternative Investment Market ('AIM') of the London Stock Exchange.

The Group financial statements consolidate those of the Company and its subsidiaries (collectively referred to as 'the Group'). The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

The principal activity of the Group is the retail of musical instruments and equipment.

The registered office of Gear4music (Holdings) plc (company number: 07786708), Gear4music Limited (company number: 03113256), and Cagney Limited (dormant subsidiary; company number: 04493300) is Holgate Park Drive, York, YO26 4GN.

At the financial year-end the Group has four trading European subsidiaries: Gear4music Sweden AB, Gear4music GmbH, Gear4music Europe Limited (formerly known as Gear4music Ireland Limited), and Gear4music Spain SL. All four are 100% subsidiaries of Gear4music Limited.

1 Accounting policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with the AIM rules for Companies, and apply the recognition, measurement and disclosure requirements of UK-adopted International Accounting Standards. The Company has elected to prepare its Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (FRS 102); these are presented on pages 99 to 105.

The Group's accounting policies are set out below and have been applied consistently in the consolidated financial statements.

Monetary amounts are expressed in Sterling (GBP) and rounded to the nearest £1,000.

Subjective judgements made by the Directors in the application of these accounting policies that could have significant effect on the financial statements are considered in section 1.20 below.

Accounting period

The financial statements presented cover the years ended 31 March 2024 and 31 March 2023.

Measurement convention

The financial statements have been prepared on the historical cost basis except for land and buildings that are stated at their fair value.

1.2 Adoption of new and revised standards

Various new or revised accounting standards have been issued which are not yet effective. The following new standards, and amendments to standards, have been adopted by the Group during the year ending 31 March 2024, and the impact was not material:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- Definition of Accounting Estimates – Amendments to IAS 8

1.3 Exceptional items

The business classifies certain events as exceptional items due to their size and nature where it feels that separate disclosure would help understand the underlying performance of the business. Restructuring and transformational costs are considered on a case-by-case basis as to whether they meet the exceptional criteria. Other items are considered against the exceptional criteria based on the specific circumstances. In order for an item to be presented as exceptional items, it should typically meet at least one of the following criteria:

- It is unusual in nature or outside the normal course of business and significant in value.
- Items directly incurred as a result of either a significant acquisition or a divestment, or arising from a major business change or restructuring programme which of itself has significant impact on the Income Statement.

The presentation is consistent with the way Financial Performance is measured by management and reported to the Board. Further information is disclosed in Note 1.20.

1.4 Going concern presumption for the period to 30 June 2025

The Group's business activities and position in the market, and principal risks, uncertainties and mitigations are described in the Strategic report.

The Group sets an annual budget against which performance is compared, and operates a monthly reporting and rolling forecasting cycle, which the Board uses to ensures that the profitability, cash flow and capital requirements of the business are sufficient to ensure its ongoing viability. Management relies on weekly and monthly financial, commercial and operational reporting to monitor, assess and control performance through the financial year. These reports form the basis upon which the Board satisfies its requirements to update stakeholders with relevant financial performance and prospects.

In FY24 the Group renewed its RCF with HSBC at £30m for a further three-year period. This facility provides a good and appropriate level of headroom that has been factored into the Directors going concern assessment.

In FY23 and FY24 the Group focused on reducing its investment in inventory, thereby significantly reducing its net debt by initially £9.7m to £14.5m at 31 March 2023, and then by a further £7.2m to £7.3m at 31 March 2024.

Notes to the consolidated Financial Statements continued

(forming part of the Financial Statements)

1 Accounting policies continued

1.4 Going concern presumption for the period to 30 June 2025 continued

The Group has conducted a reverse stress test where revenue was assumed to decrease 20% on a 15-month basis below a reasonable base case, and the Group was able to rely on cost reduction and working capital mitigations to continue to trade. The Group has therefore concluded that there is no plausible scenario where the Group breaches its covenants, re-affirming the assessment of the Group as a going concern.

The Directors have considered the Group's position and prospects in the period to 30 June 2025 based on its offering in the UK and Europe and concluded that potential growth rates remain strong. There is a diverse supply chain with no key dependencies.

The Group's policy is to ensure that it has sufficient facilities to cover its future funding requirements. At 31 March 2024 the Group had net debt of £7.4m (31 March 2023: £14.5m), with £4.7m cash (31 March 2023: £4.5m cash).

Having duly considered all of these factors and having reviewed the forecasts for the period to 30 June 2024, the Directors have a reasonable expectation that the Group has adequate resources to continue trading for the foreseeable future, and as such continue to adopt the going concern basis of accounting in preparing the financial statements.

1.5 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

1.6 Foreign currency

International transactions that are denominated in foreign currencies are recorded in the respective foreign currencies, and translated into the functional currency of the Group, Sterling, at the exchange rate ruling at the date of the transaction. Translational accounting gains and losses are recognised in the income statement in the period they arise.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet 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. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

Functional currency

The consolidated financial statements are presented in Sterling which is the Group's functional currency.

1.7 Classification of financial instruments issued by the Group

In accordance with IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company (or Group as the case may be) 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 Company (or Group); and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company 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 Company's own shares, the amounts presented in this financial information for called up share capital and share premium account exclude amounts in relation to those shares.

1.8 Non-derivative financial instruments

Non-derivative financial instruments comprise investments, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any expected credit losses. The Directors have concluded that any such credit losses are immaterial.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributed transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

1.9 Property, plant and equipment

Freehold land and Buildings are stated at fair value.
All other classes of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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.

Depreciation is charged to the income statement on either a straight-line basis or a reducing balance basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Plant and equipment 4–5 years' straight line
- Fixtures and fittings 20–25% on reducing balance
- Motor vehicles 25% on reducing balance
- Computer equipment 3–5 years' straight line
- Freehold land and buildings 50-years straight line

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

Assets held under lease are depreciated over their expected useful lives on the same basis as owned assets.

Revaluation of Land and Buildings
Revaluations are frequently made with reference to independent, third-party professional inspection of the site. Independent valuations will be sought on a regular basis such that the carrying value does not materially differ from its fair value.

Surpluses which arise from the revaluation exercise are included within other comprehensive income (in the revaluation reserve) unless they are reversing a revaluation adjustment which has been recognised in the income statement previously; in which case an amount equal to a maximum of that recognised in the income statement previously is recognised in income.

Where the revaluation exercise gives rise to a deficit, this is reflected directly within the income statement, unless it is reversing a previous revaluation surplus against the same asset; in which case an amount equal to the maximum of the revaluation surplus is recognised within other comprehensive income (in the revaluation reserve).

1.10 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 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.

Costs related to the acquisition are expensed as incurred.

1.11 Intangible assets

Software platform
Computer software development costs that generate economic benefits beyond one year and meet the development asset recognition criteria as laid out in IAS 38 'Intangible Assets', are capitalised as Intangible assets.

These costs include the payroll costs of employees directly associated with the development of the software platform, capitalised attributable borrowing costs, and other direct external material and service costs. Costs are capitalised only where there is an identifiable development that will bring future economic benefit. All other website and maintenance costs are expensed in the statement of comprehensive income.

Capitalised software development costs are amortised over their estimated useful lives and charged to administrative expenses in the statement of comprehensive income.

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
An intangible asset is regarded as having an indefinite useful life when, based on all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. The AV.com domain is deemed to have an indefinite useful life as, based on all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

Otherwise, amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives are as follows:

- Brand and Other Intangible assets 10 years
- Software Platform 3–8 years

Notes to the consolidated Financial Statements continued

(forming part of the Financial Statements)

1 Accounting policies continued

1.12 Inventories

Inventories are stated at the lower of cost and net realisable value ('NRV'). Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition. Stock is neither fashionable nor perishable.

A provision is made in respect of inventories as follows:

- 100% against returns stock found to be faulty that is retained to be used for spare parts on the basis there is no direct NRV value; and
- a provision for the expected product loss on dealing with returns stock.

1.13 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial 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, 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 post-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'). The Goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ('CGU'). Subject to an operating segment ceiling test, for the purposes of Goodwill impairment testing, CGUs to which Goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which Goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss would be recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. No impairments have been recognised in the periods presented.

1.14 Employee benefits

Defined contribution plans

A defined contribution pension 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 the income statement in the periods during which services are rendered by employees.

Share-based payment transactions

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 Group.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using the Black-Scholes model or a Monte-Carlo simulation model, taking into account the terms and conditions upon which the options were granted. LTIP awards are accounted for on a graded vesting basis.

For share-based payments with non-market-based vesting conditions, 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.

Share-based payment transactions in which the Group receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Group's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

1.15 Provisions

A provision is recognised in the balance sheet 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.

1.16 Revenue

Product sales and carriage income

To determine whether to recognise revenue, the Group follows a five-step process:

1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods to its customers.

Revenue from the sale of goods and carriage income are recognised when the customer receives the goods ordered at which point title and risk passes to third parties and revenue can be reliably measured. Judgement is exercised when determining the amount of revenue to be deferred, and this is considered further in Note 1.20.

Revenue is measured at the fair value of the consideration received, including freight charges, non-recoverable import charges, duty where applicable, excluding discounts, rebates, VAT and other sales taxes or duty. Returns are dealt with on receipt of the product into the warehouse which triggers an automatic credit, and an estimate for returns is provided for at the year-end. This balance is held within accruals and deferred income (Note 18). The value of inventory for sales returns is included in inventory at the year-end (Note 14).

Other revenue

The Group offers customers extended paid-for warranties on a two-to-ten years basis (FY23: two-to-ten-years), depending on the product. Warranty income is recognised 'over time' under IFRS 15, by assuming an inputs method that measures progress by reference to costs incurred towards satisfying that performance obligation as compared to the total expected costs. A contact liability is recognised for consideration received in respect of unsatisfied performance obligations as deferred income in the statement of financial position (Note 18).

The Group offers retail point of sale credit on orders over £250, through agreements with external credit providers. The Group does not retain any credit risk and commissions are recognised within revenue on recognition of the credit sale. In the year ended 31 March 2024 this income totalled £153,000 (FY23: £223,000). No discount is offered on any sales made through these credit providers.

1.17 Expenses and other income

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Government and other forms of grant

Government and other grants from third parties are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as a reduction in the costs incurred, on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognised on a systematic basis over the UEL of the related asset.

Financing income and expenses

Financing expenses comprise interest payable and leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Financing income comprises interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Other income

Other income comprises rental income on our freehold property, Research and Development Expenditure credits, and marketing support.

1.18 Taxation

Tax on the profit or loss for the period comprises current and deferred tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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. A temporary difference on the initial recognition of goodwill is not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet 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.

1.19 Segmental Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group's Chief Operating Decision Maker has been identified as the Executive Directors. The Group has determined there is one operating segment.

Notes to the consolidated Financial Statements continued

(forming part of the Financial Statements)

1 Accounting policies continued

1.20 Accounting estimates and judgements

The preparation of consolidated financial information in conformity with UK-adopted International Accounting Standards, requires Management to make judgements, estimates and assumptions concerning the future, that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These judgements are based on historical experience and Management's best knowledge at the time and the actual results may ultimately differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have significant risk of causing a material adjustment to the carrying value of assets and liabilities are discussed below:

Judgements

- In determining the number of reportable Cash Generating Units ('CGUs') Management considers the internal reporting information and management structures with the Group, and has deemed the Group to have a single CGU on the basis that all cash inflows are derived from the same platform interface and so considered interdependent.
- Direct software development costs are capitalised as intangible assets. Judgement is applied in assessing the flow of future economic benefit, and in identifying which costs are capitalised and which are written off as an expense. Alternative judgement could result in certain costs being expensed or capitalised.
- The Directors have determined that cash-in-transit received from electronic transfer balances, which the Group has received notification of transfer being made pre-year end, are appropriate to be included in cash and cash equivalents. The value of these balances is included in Note 16.
- The Group exercises judgement in assessing whether items should be classified as exceptional. This assessment covers the nature of the item, cause of occurrence and scale of impact of that item on the reported performance. The exceptional costs in these financial statements of £487,000 relate to redundancy costs incurred during the restructure of various Head Office teams, principally Software Development. These costs were paid in full in FY24.

Estimates

Revenue

- An adjustment to revenue is calculated based on the expected delivery date for items delivered around the year end. This estimate is based on historical delivery dates with reference to courier statistics around the year end. At 31 March 2024 this resulted in £139,000 of orders-in-transit (31 March 2023: £1,117,000) being deducted from revenue and included in deferred income, reflecting an early Easter in FY24 and reduced shipment volumes over the Bank Holiday period.
- Warranty income is recognised 'over time' under IFRS 15, by assuming an inputs method that measures progress by reference to costs incurred towards satisfying that performance obligation as compared to the total expected costs. The proportion of costs compared to total expected costs in an estimate based on historical data for this performance obligation.

Land and Buildings

- Freehold Land and buildings are stated at fair value with reference to the most recent valuation performed by an independent professional valuer with recent experience in the location and category of property valued. The valuer uses observable market prices adjusted as necessary for any difference in the future, location or condition of the specific asset.
- Valuations are performed where there is indication of a material or every three years with the York Head Office valued in 2023 (31 March 2024: £6.36m) and the Bacup distribution centre valued in 2021 (31 March 2024: £1.19m).

2 Segmental reporting

The Group's revenue and profit was derived from its principal activity which is the sale of musical instruments and equipment.

In accordance with IFRS 8 'Operating segments', the Group has made the following considerations to arrive at the disclosure made in these financial statements. IFRS 8 requires consideration of the Chief Operating Decision Maker ('CODM') within the Group, which in the Group's case is the Executive Board. Operating segments have been identified based on the internal reporting information and management structures with the Group. Based on this information it has been noted that the CODM reviews the business as one segment and receives internal information on this basis. Therefore, it has been concluded that there is only one reportable segment.

Revenue by Geography

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
UK	83,109	82,084
Europe	59,222	66,967
Rest of the World	2,053	2,988
	144,384	152,039

Administrative expenses by Geography

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
UK	32,669	33,678
Europe	4,940	5,027
	37,609	38,705

UK Administrative expenses of £32.7m include £487,000 of exceptional redundancy costs.

The majority of Group assets are held in the UK except for local right of use assets and property, plant and equipment, and cash in Sweden (31 March 2024: £3.2m; 31 March 2023: £3.5m), Germany (31 March 2024: £2.2m; 31 March 2023: £2.3m), Spain (31 March 2024: £1.2m; 31 March 2023: £1.5m), and Ireland (31 March 2024: £0.6m; 31 March 2023: £0.6m).

Revenue by Product category

All revenue is recognised on a point-in-time basis except for warranty income which is spread over time.

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Other-brand products	100,404	106,189
Own-brand products	37,607	38,860
Carriage income	5,809	6,187
Warranty income	411	452
Other	153	351
	144,384	152,039

3 Expenses and other income

Included in profit/loss are the following:

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Expenses		
Rentals – short-term rentals of plant & machinery	10	41
Equity-settled share-based payment charges	184	208
Depreciation of property, plant and equipment	1,227	1,414
Depreciation of right-of-use assets	1,677	1,577
Amortisation of Intangible assets	3,739	3,090
Amortisation of government grants	–	3
(Profit)/loss on disposal of property, plant and equipment	(16)	17
R&D expenditure recognised as an expense	183	280
Auditor remuneration – audit of these financial statements	72	65
Auditor remuneration – this year's audit of financial statements of subsidiaries	80	74
Auditor remuneration – non-audit fees – Other audit related services	6	5

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Other income		
RDEC tax credits	389	445
Rental income	244	239
Other	302	265
	935	949

Rental income relates to our freehold Head-office in York. 'Other' includes income from on-site café at York Head-office, grants, and marketing support.

4 Staff numbers

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

	Year ended 31 March 2024 Number	Year ended 31 March 2023 Number
Administration	198	255
Selling and Distribution	286	318
	484	573

Notes to the consolidated Financial Statements continued

(forming part of the Financial Statements)

5 Staff costs

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Wages and salaries	14,319	16,421
Social security costs	1,681	1,948
Contributions to defined contribution plans	994	1,213
Less: capitalised as development costs	(3,473)	(5,156)
	13,521	14,426

Wages and salaries, social security costs, and staff pension costs of £487,000 (2023: nil) relating to redundancy costs are reported as 'exceptional costs' and not included in the figures above.

Directors' remuneration

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Directors' emoluments	723	717

The three Executive Directors are paid through Gear4music Limited, and the three Non-Executive Directors are paid through Gear4music (Holdings) plc. The remuneration of all six Directors is included above.

The aggregate remuneration of the highest paid Director was £230,000 during the year (2023: £232,000), including Company pension contributions of £8,000 (2023: £9,000) that were made to a money purchase scheme on their behalf.

There are five Directors (2023: five) for whom retirement benefits are accruing under a money purchase pension scheme.

Directors' remuneration is detailed in the Remuneration report on page 56 to 57 which forms part of these financial statements.

6 Earnings per share

Diluted profit per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of Ordinary shares outstanding during the period plus the weighted average number of Ordinary shares that would be issued on the conversion of CSOP and LTIP dilutive potential Ordinary shares (see Note 22) into Ordinary shares. In FY23 the diluted loss per share was restricted to the basic loss per share to prevent having an anti-dilutive effect.

	Year ended 31 March 2024	Year ended 31 March 2023
Profit/(loss) attributable to equity shareholders of the parent (£000)	651	(644)
Basic weighted average number of shares	20,976,938	20,976,938
Dilutive potential Ordinary shares	1,102,450	549,269
Diluted weighted average number of shares	22,079,388	21,526,207
Basic profit/(loss) per share	3.1p	(3.1p)
Diluted profit/(loss) per share	3.0p	(3.1p)

7 Financial expenses and financial income

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Bank interest	1,545	1,127
IFRS 16 lease interest	490	375
Net foreign exchange loss	185	190
Unwinding of discount on deferred consideration	3	2
Total financial expenses	2,223	1,694

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Bank interest	44	–
Total financial income	44	–

8 Taxation

Recognised in the income statement

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Current tax expense		
UK Corporation tax	–	–
Overseas Corporation tax	32	66
Adjustments for prior periods	(82)	276
Current tax (credit)/expense	(50)	342
Deferred tax expense		
Origination and reversal of temporary differences	215	(79)
Adjustments for prior periods	(232)	(26)
Deferred tax credit	(17)	(105)
Total tax (credit)/expense	(67)	237

The corporation tax rate applicable to the company was 25% for the year ended 31 March 2024, and 19% for the period ended 31 March 2023. The deferred tax assets and liabilities at 31 March 2024 have been calculated based on that rate.

Reconciliation of effective tax rate

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Profit/(loss) for the year	651	(644)
Total tax (credit)/charge	(67)	237
Profit/(loss) before taxation	584	(407)
Current tax at 25% (2023: 19.0%)		
Tax using the UK corporation tax rate for the relevant period:	146	(61)
Non-deductible expenses	94	120
Adjustments relating to prior year – deferred tax	(232)	36
Adjustments relating to prior year – current tax	(82)	214
Impact of overseas tax rate	(4)	1
Deferred tax assets not recognised	–	1
R&D credit	11	(11)
Difference between current and deferred tax rates	–	(19)
Impact of capital allowances super deduction	–	(44)
Total tax (credit)/charge	(67)	237

Notes to the consolidated Financial Statements continued

(forming part of the Financial Statements)

9 Tangible fixed assets

Property, Plant and Equipment

	Plant and equipment £000	Fixtures and fittings £000	Motor Vehicles £000	Computer equipment £000	Land and Buildings £000	Total £000
Cost or Valuation						
At 1 April 2022	2,275	6,799	68	1,312	8,751	19,205
Additions	163	717	–	109	–	989
Revaluation decrease	–	–	–	–	(550)	(550)
Disposals	–	(124)	(29)	–	–	(153)
Balance at 31 March 2023	2,438	7,392	39	1,421	8,201	19,491
Additions	–	157	–	8	–	165
Disposals	–	–	(9)	(33)	–	(42)
Balance at 31 March 2024	**2,438**	**7,549**	**30**	**1,396**	**8,201**	**19,614**
Depreciation and impairment						
At 1 April 2022	1,536	3,437	34	935	305	6,247
Depreciation charge for the year	331	736	2	170	175	1,414
Disposals	–	(101)	(3)	–	–	(104)
Balance at 31 March 2023	1,867	4,072	33	1,105	480	7,557
Depreciation charge for the year	235	682	1	144	165	1,227
Disposals	–	–	(9)	(23)	–	(32)
Balance at 31 March 2024	**2,102**	**4,754**	**25**	**1,226**	**645**	**8,752**
Net book value as at 31 March 2024	**336**	**2,795**	**5**	**170**	**7,556**	**10,862**
Net book value as at 31 March 2023	571	3,320	6	316	7,721	11,934
Net book value as at 31 March 2022	739	3,362	34	377	8,446	12,958

Freehold property valuation – Holgate Park Head Office
At 31 March 2023 the freehold office premises at Holgate Park were revalued at market value using information provided by an independent chartered surveyor. The valuation was carried out in accordance with the provisions of RICS Appraisal and Valuation Standards ('The Red Book'). The appraisal was carried out using level 3 inputs observable inputs including prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the property in question, including plot size, location, encumbrances and current use. Market value at 31 March 2023 was confirmed at £6.5m.

Management have reviewed the fair value at 31 March 2024 and concluded that this would not be materially different. If the property had not been revalued the net book value would have been £5.0m.

Freehold property valuation – Bacup distribution centre
In December 2021 the Group acquired a 25,145 sq. ft freehold warehouse property in Bacup, Lancashire as part of the acquisition of AV Distribution Ltd. The property was valued on 10 August 2021 at £1.26m by an independent chartered surveyor on behalf of HSBC Bank plc for loan security purposes.

Management have reviewed the fair value as at 31 March 2024 and concluded that this would not be materially different.

Security
The Group's bank borrowings are secured by fixed and floating charges over the Group's assets.

10 Right-of-use assets

Leasehold properties
At 31 March 2024 the Group has five leased properties comprising Distribution Centres and Showrooms in York, Sweden and Germany, and Distribution Centres in Ireland and Spain.

In July 2023 the Group concluded a rent review in relation to its York distribution centre resulting in a right-of-use asset and lease modification.

In November 2023 the Group vacated the software development office in Manchester.

The associated right-of-use assets are as follows:

	Short leasehold properties £000
Cost	
At 1 April 2022	12,135
Modifications	567
Additions	63
Balance at 31 March 2023	12,765
Modifications	2,666
Net exchange differences	(178)
Disposals	–
Balance at 31 March 2024	15,253
Depreciation	
At 1 April 2022	3,900
Depreciation charge for the year	1,577
Balance at 31 March 2023	5,477
Depreciation charge for the year	1,677
Balance at 31 March 2024	7,154
Net book value as at 31 March 2024	8,099
Net book value as at 31 March 2023	7,288
Net book value as at 31 March 2022	8,235

Notes to the consolidated Financial Statements continued

(forming part of the Financial Statements)

11 Intangible assets

FY24 Software platform additions comprise £3,473,000 (2023: £5,205,000) of internally developed additions being 95% of software developer wages and salaries, £149,000 (2023: £87,000) of capitalised interest, £78,000 (2023: nil) of externally developed additions, and £26,000 (2023: £27,000) of software licences for tools used in development.

The amortisation charge is recognised in Administrative expenses within the profit and loss account.

	Goodwill £000	Software platform £000	Brand £000	Domains £000	Other Intangibles £000	Total
Cost						
At 1 April 2022	5,324	19,686	1,372	3,023	149	29,554
Additions	–	5,319	–	8	–	5,327
Balance at 31 March 2023	5,324	25,005	1,372	3,031	149	34,881
Additions	–	3,726	–	12	–	3,738
Balance at 31 March 2024	**5,324**	**28,731**	**1,372**	**3,043**	**149**	**38,619**
Amortisation						
At 1 April 2022	–	9,167	563	–	12	9,742
Amortisation for the year	–	3,050	–	3	37	3,090
Balance at 31 March 2023	–	12,217	563	3	49	12,832
Amortisation for the year	–	3,699	–	3	37	3,739
Balance at 31 March 2024	**–**	**15,916**	**563**	**6**	**85**	**16,570**
Net book value as at 31 March 2024	**5,324**	**12,814**	**809**	**3,037**	**64**	**22,049**
Net book value as at 31 March 2023	5,324	12,788	809	3,028	100	22,049
Net book value as at 31 March 2022	5,324	10,519	809	3,023	137	19,812

Other intangibles

Other intangibles comprise customer relationships, trademarks, and domain names acquired on acquisition of AV Distribution Ltd.

Goodwill

On 19 March 2012 goodwill arose on the acquisition of the entire share capital of Gear4music Limited (formerly known as Red Submarine Limited).

On 1 January 2017 goodwill arose on the acquisition of a software development business from Venditan Limited, which effectively brought development of the Group's proprietary software platform in-house.

On 21 June 2021 goodwill arose on the acquisition of the business and assets of Premier Music International Limited and High House 123 Limited Liability Partnership for £1.685m.

On 1 December 2021 goodwill arose on the acquisition of the share capital of AV Distribution Ltd, an online retailer of Home Cinema and HiFi equipment, for total consideration of £6.05m (on a cash free, debt free basis).

Goodwill balances are denominated in Sterling:

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Gear4music Limited	417	417
Software development business	1,431	1,431
Premier business	960	960
AV Distribution Ltd	2,516	2,516
	5,324	5,324

Impairment testing

In accordance with IAS 36 Impairment of Assets, the Group reviews the carrying value of its intangible assets. A detailed review was undertaken at 31 March 2024 to assess whether the carrying value of assets was supported by the net present value in use calculations based on cash flow projections from formally approved budgets and longer-term forecasts.

Intangible assets include the proprietary software platform, the Gear4music and Premier brand names, the AV.com domain, goodwill and 'other intangibles'. Goodwill and the AV.com domain have an indefinite useful life.

A Cash Generating Unit ('CGU') is defined as the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups thereof. The Group has considered its operational and commercial configuration at 31 March 2024 and concluded it has a single CGU to which all intangibles are allocated. The carrying value of the CGU includes these intangibles, the Bacup freehold, the right-of-use assets, and all other PPE was £36.0m (2023: £35.9m). An impairment review has been performed on this CGU. The recoverable amount of this CGU has been determined based on value-in-use calculations. In assessing value in use, a two-year forecast to 31 March 2026 was used to provide cash flow projections that have been discounted at a pre-tax discount rate of 13.58% (2023: 13.22%). The cash flow projections are subject to key assumptions in respect of revenue growth, gross margin performance, overhead expenditure, and capital expenditure. Management has reviewed and approved the assumptions inherent in the model:

- Annual forecast revenue growth of 6% in FY25; 5% in FY26 and 2% from FY27 based on growth by geographical market, based on market size and estimate of opportunity, trends, and Management's experience and expectation;
- FY28-29 and into perpetuity revenue growth of 2%;
- Gross margins are forecast to be maintained in the FY25-FY26 forecast period; and
- Wage increases are a function of recruitment and review of current staff, with a range of % increases.

No impairment loss was identified in the current year (2023: £nil). The valuation indicates significant headroom and a number of reasonable revenues, profitability and capital expenditure-based sensitivities were put through the model, and the results did not result in an impairment.

Notes to the consolidated Financial Statements continued

(forming part of the Financial Statements)

12 Investments in subsidiaries

The Company has the following investments in subsidiaries which are included in the consolidated results of the Group:

Subsidiaries	Registered office address	Registered number	Class of shares held	Ownership
Gear4music Limited	Holgate Park Drive, York, YO26 4GN	03113256	Ordinary	100%
Cagney Limited	Holgate Park Drive, York, YO26 4GN	04493300	Ordinary	100% via G4M Ltd
Gear4music Sweden AB	Metallvägen 45a, 195 72 Rosersberg, Stockholm County, Sweden	559070-4762	Ordinary	100% via G4M Ltd
Gear4music GmbH	Lahnstraße 27, 45478 Mülheim an der Ruhr, Germany	HRB 29067	Ordinary	100% via G4M Ltd
Gear4music Europe Limited (formerly known as Gear4music Ireland Limited)	Block 7 Jamestown Business Park, Finglas, Co. Dublin, D11 X59D, Ireland	693113	Ordinary	100% via G4M Ltd
Gear4music Spain SL	Carrer Número 21 del Parc Logístic, nº 12-14 08040 Barcelona, Spain	21097476	Ordinary	100% via G4M Ltd

Investments in share capital are £4,550 in Sweden, £21,660 in Germany, £85 in Ireland and £2,539 in Spain.

All Group companies have 31 March financial year-ends.

Cagney Limited is a dormant company.

On 5 July 2023 Gear4music Norway AS was dissolved.

On 28 November 2023 AV Distribution Ltd was dissolved.

13 Deferred tax assets and liabilities

Movement in deferred tax during the year

	At 1 April 2023 £000	Recognised in other comprehensive income £000	Recognised in profit or loss £000	At 31 March 2024 £000
Property, plant and equipment	(2,609)	6	174	(2,429)
Deferred tax on ROU asset	–	(444)	114	(330)
Deferred tax on ROU liability	–	600	(90)	510
Short-term timing differences	557	–	(191)	366
Share based payments	5	–	10	15
	(2,047)	162	17	(1,868)

Movement in deferred tax during the prior year

	At 1 April 2022 £000	Recognised in other comprehensive income £000	Recognised in profit or loss £000	At 31 March 2023 £000
Property, plant and equipment	(2,340)	146	(415)	(2,609)
Deferred tax on acquisition – Property, plant and equipment	(48)	–	48	–
Short-term timing differences	–	–	557	557
Share based payments	90	–	(85)	5
	(2,298)	146	105	(2,047)

A deferred tax asset has been recognised in respect of tax losses carried forward in Gear4music Limited. Losses of £870,000 are carried forward as at 31 March 2024, equating to a deferred tax asset of £217,500.

A deferred tax asset has been recognised in respect of tax losses carried forward in Gear4music (Holdings) plc. Losses of £590,000 are carried forward as at 31 March 2024, equating to a deferred tax asset of £148,000.

A deferred tax asset is not recognised with respect to certain historic losses in Gear4music (Holdings) plc (consistent basis to prior years) as not expected to result in future benefit. Losses of £760,000 are carried forward at 31 March 2024, equating to an unrecognised asset of £190,000.

14 Inventories

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Finished goods	25,643	34,381

The cost of inventories recognised as an expense and included in cost of sales in the year amounted to £95.8m (2023: £102.6m).

Management has included a provision of £52,000 (31 March 2023: £50,000), representing a 100% provision against returns stock subsequently found to be faulty, that is retained to be used for spare parts on the basis there is no direct NRV value, and a provision based on the expected product loss on dealing with returns stock.

15 Trade and other receivables

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Trade receivables	1,125	1,243
Social security and other taxes	538	260
Prepayments	1,416	1,931
	3,079	3,434

Corporation tax asset of £768,000 (31 March 2023: £1,066,000) has been disclosed separately on the face of balance sheet in both years, in accordance with IAS 1.54(n).

Credit risk and impairment

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of trade receivables represents the maximum credit exposure. The Group does not take collateral in respect of trade receivables.

Trade receivables comprise balances due from schools and colleges, and funds lodged with payment providers. The value of the Expected Credit Loss ('ECL') is immaterial.

Customer receivables

The Group faces low credit risk as customers typically pay for their orders in full on shipment of the product, with the only exception being a small number of education accounts with schools and colleges that have 30-day terms (2.7% of 2024 revenues; 2.9% of 2023 revenues).

Notes to the consolidated Financial Statements continued

(forming part of the Financial Statements)

15 Trade and other receivables continued

Funds lodged with payment providers

Funds lodged with Amazon, Digital River, Klarna and V12 Retail Finance totalled £508,000 on 31 March 2024 (31 March 2023: £581,000) and are included in Trade receivables. Credit risk in relation to cash held with financial institutions is considered very low risk, given the credit rating of these organisations.

16 Cash and cash equivalents

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Cash and cash equivalents	4,696	4,460

Cash-in-transit to the Group at 31 March 2024 was £434,000 (31 March 2023: £354,000) and is included above, representing uncleared lodgements where money providers have notified transfers pre-year-end.

17 Interest-bearing loans and borrowings

This note contains information about the Group's interest-bearing loans and borrowing which are carried at amortised cost.

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Non-current and Total liabilities		
Bank loans	12,000	19,000
	12,000	19,000

Revolving Credit Facility

At 31 March 2024 bank loans were drawn loans under the Group's three-year £30m Revolving Credit Facility ('RCF') with HSBC. This facility expires in June 2026 and is secured by a debenture over the Group's assets.

Loans incur interest at variables rates linked to SONIA, with a margin non-utilisation fee.

Changes in interest-bearing loans and borrowings

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Opening balance	19,000	28,000
Changes from financing cash flows		
Proceeds from loans and borrowings	–	–
Repayment of borrowings	(7,000)	(9,000)
Total changes from financing cash flows	(7,000)	(9,000)
Other changes		
Interest expense (Note 7)	1,545	1,127
Interest expense capitalised into intangible assets (Note 11)	149	88
Interest paid	(1,667)	(1,080)
Movement in interest accrual (included in accruals and deferred income – Note 18)	(30)	(137)
Fair value movement on loans	3	2
Total other changes	–	–
Closing balance	12,000	19,000

Other bank facilities

Gear4music has a number of guarantees in relation to VAT, and issues letter of credits to its suppliers. At 31 March 2024 the Group had guarantees of £724,000 in place (31 March 2023: £654,000) and letters of credit of £57,000 (31 March 2023: £63,000).

18 Trade and other payables

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Current		
Trade payables	6,895	9,300
Accruals and deferred income	3,585	5,099
Deferred consideration	23	23
Other taxation and social security	2,975	3,225
	13,478	17,647
Non-current		
Accruals and deferred income	91	61
Deferred consideration	–	22
	91	83

Year-end accruals and deferred income included:

- £1,353,000 (31 March 2023: £1,907,000) relating to customer prepayments; and
- £90,000 (31 March 2023: £61,000) relating to the estimated cash bonuses accrued relating to the CSOP schemes (see Note 22).

The Directors consider the carrying amount of other 'trade and other payables' to approximate their fair value. The interest expense of £2,000 (2023: £2,000) in relation to the unwinding of the discount is disclosed in Note 7.

Deferred consideration

In March 2021 the Group acquired the Eden brand and associated assets from Marshall Amplification plc for £140,000 of which £100,000 was deferred and payable in four equal instalments of £25,000 on the anniversary of the completion date. At 31 March 2024 one instalment remain unpaid. These amounts are valued in the accounts at fair value and subsequently amortised.

19 Lease liabilities

Short-term leases and leases of low value of £10,000 (31 March 2023: £41,000) are included in administrative expenses.

The Group has leases for motor vehicles, and five properties (31 March 2023: six). Each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset:

Right-of-use asset	No of right-of-use assets leased	Range of remaining term	Average remaining lease term	No of leases with extension options	No of leases with options to purchase	No of leases with termination options
Property	5	28 to 108-months	52-months	–	–	–
Motor vehicles	2	6 to 20-months	13-months	–	2	–

Future minimum lease payments due at 31 March 2024 were as follows:

	Within 1 year £000	1–5 years £000	More than 5 years £000
Lease payments	2,138	7,011	1,923
Finance charge	(394)	(1,124)	(161)
Net present value	1,744	5,887	1,762

Future minimum lease payments due at 31 March 2023 were as follows:

	Within 1 year £000	1–5 years £000	More than 5 years £000
Lease payments	2,093	7,634	117
Finance charge	(223)	(1,021)	–
Net present value	1,870	6,613	117

Notes to the consolidated Financial Statements continued

(forming part of the Financial Statements)

19 Lease liabilities continued

Lease liabilities are presented in the statement of financial position as follows:

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Current	1,794	1,130
Non-current	7,599	7,470
Total	9,393	8,600

Changes in lease liabilities:

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Opening balance	8,600	9,684
Cash flow lease payments	(1,350)	(1,713)
New leases	–	63
Modifications	2,143	566
Total changes	793	(1,084)
Closing balance	9,393	8,600

In July 2023 the Group concluded a rent review in relation to its York distribution centre resulting in a lease modification.

20 Financial instruments

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's policies on the management of liquidity, credit, interest rate and foreign currency risks are set out below.

The main purpose of the Group's financial instruments which comprise of term loans, hire purchase, leases, cash and liquid resources and various items arising directly from its operations, such as trade receivables and trade payables, is to finance the Group's operations.

Risk management framework

Regular reviews of strategic risks are performed by the Board.

Exposure to foreign currency exchange rates is considered during the budgeting and forecasting processes, and throughout the year.

General commercial risk is considered at an annual insurance review in conjunction with an independent broker, and the appropriate insurance policies put in place.

(a) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's policy is to ensure that it has sufficient and appropriately structured facilities to cover its future funding requirements. Flexibility is available through a committed Revolving Credit Facility with HSBC that was renewed on 15 June 2023 at £30m, committed to 15 June 2026. The carrying amounts are the amounts due if settled at the period end date. The contractual undiscounted cash flows include estimated interest payments over the life of these facilities.

At 31 March 2024 the Group had £4.7m of cash and bank balances (31 March 2023: £4.5m), and net debt excluding lease liabilities of £7.3m (31 March 2023 net debt: £14.5m).

				Contractual cash flows			
	Effective interest rate %	Carrying amount Year ended 31 March 2024 £000	Face value Year ended 31 March 2024 £000	Within 1 year £000	1–2 years £000	2–5 years £000	Over 5 years £000
Bank borrowings	5.53	12,000	12,664	–	–	12,664	–
Trade payables	–	5,650	5,650	5,650	–	–	–
Accruals	–	3,585	3,585	3,585	–	–	–
		21,235	21,899	9,235	–	12,664	–

				Contractual cash flows			
	Effective interest rate %	Carrying amount Year ended 31 March 2023 £000	Face value Year ended 31 March 2023 £000	Within 1 year £000	1–2 years £000	2–5 years £000	Over 5 years £000
Bank borrowings	3.55	19,000	19,675	–	19,675	–	–
Trade payables	–	9,300	9,300	9,300	–	–	–
Accruals	–	1,556	1,556	1,556	–	–	–
		29,856	30,531	10,856	19,675	–	–

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group faces low credit risk as customers typically pay for their orders in full on shipment of the product. There are a small number of education accounts with schools and colleges that have 30-day terms (2.7% of 2024 revenues; 2.9% of 2023 revenues).

Funds lodged with Amazon, Digital River, Klarna and V12 Retail Finance totalled £508,000 on 31 March 2024 (31 March 2023: £581,000) and are included in Trade receivables. Credit risk in relation to cash held with financial institutions is considered low risk, given the credit rating of these organisations.

(c) Interest rate risk

The Group's bank borrowings incur interest at variables rates linked to SONIA, with a margin non-utilisation fee, which exposes the Group to interest rate risk. Loans are with UK-based institutions and denominated in Sterling.

At 31 March 2024, the Group had cash reserves of £4.7m and could utilise these funds to part settle debts and mitigate any associated interest risk.

The Group's policy, with regard to interest rate risk, is to monitor actual and anticipated changes in base rates, and if deemed appropriate seek out alternative financing proposals to ensure retaining a competitive rate.

Notes to the consolidated Financial Statements continued

(forming part of the Financial Statements)

20 Financial instruments continued

Profile

At the balance sheet date, the interest rate profile of the Group's interest-bearing financial instruments was:

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Variable rate instruments		
Cash	(2,696)	(4,460)
Bank loans	12,000	19,000
	9,304	14,540
Fixed rate instruments		
Cash	(2,000)	–
Total net financial liabilities	7,304	14,540

Sensitivity analysis

The calculations below assume that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular foreign currency rates, remains constant and considers the effect of financial instruments with variable interest rates.

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
	Impact on Closing Equity/Profit and Loss	Impact on Closing Equity/Profit and Loss
Increase of 100 basis points	(120)	(190)
Increase of 50 basis points	(60)	(95)
Decrease of 50 basis points	60	95
Decrease of 100 basis points	120	190

d) Foreign Exchange Risk

All borrowings are denominated in Sterling.

The Group's trading subsidiary Gear4music Limited sells into Europe and the Rest of the World in nine currencies including Sterling, Euros and US Dollars. In the year ended 31 March 2024, 42% (2023: 48%) of total revenues were in non-Sterling currencies, of which 42% (2023: 41%) were in Euros. Where costs (including local tax liabilities) are incurred in these respective currencies, currency balances are retained and payments made in these currencies, thereby mitigating any associated currency loss. The Group's operations in Sweden and Germany incur liabilities denominated in Swedish Krona and Euros (see Note 2), further extending the natural hedge. Surplus foreign currency holdings are reviewed on a weekly basis and balances in excess of known liabilities are converted into Sterling, restricting the period between the transaction and the point of conversion, thereby reducing the transactional risk.

The Group purchases own-branded instruments and equipment from the Far East, transacting in US Dollars. The lead time from committed order to receipt of stock is typically 12-16 weeks, during which time the Group bears currency risk. The Group has the trading platform ability and sufficient price flexibility to be able to pass on some adverse currency variances should it choose, and the Group generates enhanced margins on these products such that a proportion of these losses could be absorbed. The Group do not currently enter into forward contracts but reviews the situation and would consider committing to such a position should it make commercial sense to do so.

The strength of the US Dollar impacts on stock intake prices of the Group, directly on own-branded products and indirectly on other-branded products as whilst the majority of stock had been purchased in Sterling, the branded manufacturers faced similar price inflation. The Group looks to mitigate such events by renegotiating orders and investing in larger volumes to leverage increasing purchasing economies of scale.

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Trade and other receivables		
Sterling	662	692
Euro	215	88
US Dollar	(14)	154
Other European currencies	262	309
	1,125	1,243
Cash and cash equivalents		
Sterling	3,040	2,526
Euro	1,095	945
US Dollar	41	57
Other European currencies	520	932
	4,696	4,460
Trade payables		
Sterling	5,353	6,332
Euro	562	1,151
US Dollar	555	980
Other European currencies	425	837
	6,895	9,300
Local sales tax		
Sterling	1,141	370
Euro	117	(260)
Other European currencies	803	749
	2,061	859

The Group's cash and cash equivalents are not sensitive to foreign exchange variations as currencies held are held to the extent that they are required to settle a liability in that currency, or they are converted into Sterling.

Non-Sterling trade receivables include cash lodged with payment providers that is promptly settled. International trade debtors represent an immaterial amount such that the Group is not sensitive to associated foreign exchange variations.

Euro funds are retained to settle Euro denominated payables. US dollar denominated trade payables are not currently bought forward against, but only represent a small exposure that can be otherwise managed, and the Group sells in US Dollars.

e) Debt and Capital Management

The Group's objective when managing capital, which is deemed to be share capital, is to maximise the return on net invested capital while maintaining its ongoing ability to operate and guarantee adequate returns for shareholders and benefits for other stakeholders, within a sustainable financial structure.

The Group monitors its gearing ratio on a regular basis and makes appropriate decisions in light of the current economic conditions and strategic objectives of the Group.

There were no changes in the Group's approach to capital management during the period. The Group does not have any externally imposed capital requirements. The funding requirements of the Group are met by cash generation from trading, the utilisation of external borrowings, and the cash raised on placing of Ordinary shares.

Fair values and carrying values of financial instruments

A comparison by category of the book values and fair values of the financial assets and liabilities of the Group at 31 March 2024 and 31 March 2023:

	31 March 2024		31 March 2023	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Trade and other receivables	3,847	3,847	4,500	4,500
Cash and cash equivalents	4,696	4,696	4,460	4,460
Bank loans	(12,000)	(12,000)	(19,000)	(19,000)
Trade and other payables	(13,456)	(13,456)	(17,624)	(17,624)
Deferred consideration	(25)	(23)	(50)	(45)
	(16,938)	(16,936)	(27,714)	(27,709)

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Trade and other payables and receivables

The fair values of these items are considered to be their carrying value as the impact of discounting future cash flows has been assessed as not material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. The fair value of short-term deposits is considered to be the carrying value as the balances are held in floating rate accounts where the interest rate is reset to market rates.

Long-term and short-term borrowings

Bank loans are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Derivative financial instruments

The Group does not routinely enter into forward exchange contracts. The fair value of any material forward exchange contracts held would be calculated by Management based on external valuations received from the Group's bankers.

Deferred consideration

The deferred consideration is assumed to be 100% payable. The consideration has been discounted to present value at 2.7% being equivalent to the prevailing market rate of interest for a similar financial instrument.

Fair value hierarchy

The table below analyses financial instruments into a fair value hierarchy based on the valuation techniques used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted priced 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).

	Level 1 £000	Level 2 £000	Level 3 £000
31 March 2024			
Deferred consideration	–	(23)	–
31 March 2023			
Deferred consideration	–	(45)	–

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(forming part of the Financial Statements)

20 Financial instruments continued

Reconciliation of Level 2 fair value:

	At 1 April 2023 £000	Interest £000	Payment £000	At 31 March 2024 £000
Deferred consideration	(45)	(3)	25	**(23)**

21 Share capital and reserves

Share capital

	Year ended 31 March 2024 Number	Year ended 31 March 2023 Number
Authorised, called up and fully paid:		
Ordinary shares of 10p each	**20,976,938**	20,976,938

The Company has one class of Ordinary share and each share carries one vote and ranks equally with the other Ordinary shares in all respects including as to dividends and other distributions.

Share premium

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Opening	**13,286**	13,286
Issue of shares	**–**	–
Closing	**13,286**	13,286

Proceeds received in addition to the nominal value of the shares issued have been included in share premium, less registration and other regulatory fees and net of related tax benefits.

Foreign currency translation reserve

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Opening	**(74)**	(74)
Translation gain	**177**	–
Closing	**103**	(74)

The foreign currency translation reserve comprises exchange differences relating to the translation of the net assets of the Group's foreign subsidiaries from their functional currency into the parent's functional currency.

Revaluation reserve

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Opening	1,203	1,606
Freehold revaluation	–	(550)
Deferred tax	–	147
Depreciation transfer	(32)	–
Closing	1,171	1,203

The revaluation reserve represents the unrealised gain generated on revaluation of the freehold office property in York on 28 February 2018, 31 March 2020 and 31 March 2023. It represents the excess of the fair value over historic net book value.

Retained earnings

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Opening	**20,721**	21,120
Share-based payment charge	**154**	245
Deferred tax	**150**	–
Depreciation transfer	**32**	–
Profit/(loss) for the year	**651**	(644)
Closing	**21,708**	20,721

Retained earnings represents the cumulative net profits recognised in the consolidated income statement.

22 Share-based payments

The Group operates share option plans for qualifying employees of the Group. Options in the plans are settled in equity in the Company and are subject to vesting conditions. The exercise price for each option is equal to the nominal value of the share.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2024	Number of options 2024	Weighted average exercise price 2023	Number of options 2023
Outstanding at the beginning of the year	–	549,269	–	570,440
Forfeit during the year	–	(532,752)	–	(105)
Exercised during the year	–	–	–	–
Granted during the year	–	1,094,023	–	8,334
Lapsed during the year	–	(8,090)	–	(29,400)
Outstanding at the end of the year	–	1,102,450	–	549,269
Exercisable at the end of the year	–	–	–	–

Developments in the current year

In the year ending 31 March 2024:

- **CSOP (2023)** – options awarded

On 9 May 2023 options over 56,023 shares were granted to 22 non-Director employees.

- **CSOP (2020)** – options forfeit

On 20 September 2023 options over 2,352 shares were forfeit by four non-Director employees.

- **LTIP (2018) and LTIP (2021)** – options replaced by LTIP (2023)

On 21 July 2023 the Group adopted a replacement long term incentive plan to ensure that the key people to lead the business into the future are appropriately incentivised in a manner that aligns with the interests of the Group's shareholders. The new LTIP replaced the two existing LTIPs established in 2018 (and subsequently rebased in 2020) and in 2021 in full, with all awards made under those LTIPs replaced and cancelled.

Under the new LTIP, Gear4music Limited, a wholly owned subsidiary of Gear4music (Holdings) plc issued 1,038,000 'E' Ordinary shares of one-pence each ('E-Shares'), which are non-voting, non-dividend, restricted shares to the relevant individuals. These E Shares vest subject to achieving certain share price targets between 2026 and 2030, at which point the E Shares can be exchanged on a one-for-one basis for new Ordinary shares in Gear4music (Holdings) plc.

In the previous year ending 31 March 2023:

- **CSOP (2022)** – options awarded

On 3 August 2022 options over 8,334 shares were awarded.

- **LTIP (2018)** (as amended 13 October 2020) – options lapsed

On 31 July 2022, further to confirmation of not meeting the performance conditions, options over 29,400 shares lapsed.

At 31 March 2024 there were two incentive schemes in place:

- a CSOP Employees scheme; and
- an LTIP relevant to six senior employees including Andrew Wass, Gareth Bevan and Chris Scott.

All equity-settled share options have an exercise price equal to the nominal value of the shares (10p) that the Company will subsidise by way of a bonus provided there are sufficient distributable reserves and, subject to certain conditions, will vest on a specified anniversary of the date of grant.

The fair value of the cash-settled liability is remeasured at each balance sheet date and settlement date.

CSOP

The Board has responsibility for matters relating to Employee members of the Plan and may grant share options over shares to eligible employees. Eligible employees will generally have been employed by the Group for more than three years at the time of award but could be a shorter period at the discretion of the Board. The Board has discretion to select participants from eligible employees of the Group.

Employee awards under the CSOP plan awards are only subject to service conditions.

Subject to continued employment, awards will normally be deemed to have been exercised at the end of the relevant three-year vesting period.

Awards will be satisfied by the issue of new shares. The Company will grant a cash bonus to option holders in the month of exercise, the net value of which will be equivalent to the income tax, employee national insurance and the exercise price arising in relation to the awards.

At 31 March 2024 the total number of shares under option under the CSOP scheme was 64,450 (31 March 2023: 18,869).

LTIP (2023)

On 21 July 2023 the Group adopted a replacement long term incentive plan ('LTIP') with share awards made to key members of the management team. The Group's Remuneration Committee made these awards so that the key people to lead the business into the future are appropriately incentivised in a manner that aligns with the interests of the Group's shareholders. The new LTIP replaced the two existing LTIPs established in 2018 (and subsequently rebased in 2020) and in 2021 in full, with all awards made under those LTIPs replaced and cancelled.

Notes to the consolidated Financial Statements continued

(forming part of the Financial Statements)

22 Share-based payments continued

Under the new LTIP, Gear4music Limited, ('G4M Ltd'), a wholly owned subsidiary of Gear4music (Holdings) plc issued 1,038,000 'E' Ordinary shares of one-pence each ('E-Shares'), which are non-voting, non-dividend, restricted shares to the relevant individuals. The initial subscription cost was paid by the relevant individual with the proceeds received from the redemption by G4M Ltd of the 'C' Ordinary shares of one-pence each and 'D' Ordinary shares of ten pence each from the 2018 and 2021 LTIPs respectively at their nominal value. Any excess owed to the relevant individual was paid in cash; any excess owed by the relevant individual for the subscription cost of E-Shares was paid by way of a small cash bonus.

These E-Shares vest subject to achieving certain share price targets between 2026 and 2030, at which point the E-Shares can be exchanged on a one-for-one basis for new Ordinary shares in Gear4music (Holdings) plc. The weighted average vesting period over the life of the new LTIP is five years from the date of grant.

Award vesting date:	Financial year ending	Amended hurdle price	Maximum number of shares vesting
27 July 2026	31 March 2026	£3.00	207,600
26 July 2027	31 March 2027	£5.00	207,600
24 July 2028	31 March 2028	£7.00	207,600
30 July 2029	31 March 2029	£10.00	207,600
29 July 2030	31 March 2030	£13.00	207,600
		TOTAL:	1,038,000

The share price hurdle being the average closing mid-price in the 30-day period following announcement of preliminary results.

Assuming that the awards vest in full, the maximum implied dilution over the five-year life of the LTIP would equal 4.7% of the Company's then issued share capital.

The Remuneration Committee has responsibility for matters relating to members of the Plan. The Executive Directors of Gear4music Limited at the time of setting up the Plan are the participants in the Plan.

The terms and conditions of specific awards are as follows:

Grant date/employees entitled	Method of settlement accounting	Number of Instruments	Vesting conditions	Contractual life of options
Employee CSOP Award 2021 – Equity settled award to 31 employees granted by parent on 6 August 2021	Equity	8,498 granted 7,501 at 31 Mar 2024	Continued employment	6 August 2024
Employee CSOP Award 2022 – Equity settled award to two employees granted by parent on 3 August 2022	Equity	8,334 granted 2,778 at 31 Mar 2024	Continued employment	3 August 2025
Employee CSOP Award 2023 – Equity settled award to 22 employees granted by parent on 9 May 2023	Equity	56,203 granted 54,171 at 31 Mar 2024	Continued employment	6 July 2026
LTIP 2023 – Equity settled award to the six members of the Group's Senior Management team, on 21 July 2023	Equity	1,038,100 granted and at 31 Mar 2024	100% linked to share price All subject to continued employment.	From July 2026 to July 2030

The options outstanding at the year-end are matched by a bonus accrual making them nil net cost to the recipient, and have a weighted average contractual life of 4.19 years (31 March 2023: 2.21 years).

The fair values of employee share option awards under the CSOP were calculated using a Black-Scholes model and awards under the LTIP on a Monte-Carlo simulation model, based on the assumptions detailed below:

Date of grant	Share price on date of grant (pence)	Exercise price (pence)	Volatility (%)	Vesting period (yrs.)	Dividend yield (%)	Risk free rate of interest (%)	Fair value (pence)
6 Aug 2021	955.0	0.0	36.8%	3	0%	0.21%	955.0
3 Aug 2022	180.0	0.0	44.3%	3	0%	1.74%	180.0
9 May 2023	108.0	0.0	58.4%	3	0%	3.82%	108.0
21 July 2023	100.5	0.0	43.0%	3–7	0%	4.96%	9.0

The expected volatility is wholly based on the historic volatility (calculated based on the weighted average remaining life of the share options).

Notes to the consolidated Financial Statements continued

(forming part of the Financial Statements)

23 Related parties

Transactions with key management personnel

The compensation of key management personnel is as follows:

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Key management emoluments including social security costs	715	711
Short-term employee benefits	7	6
Company contributions to money purchase pension plans	25	31
	747	748

Key management personnel comprise the Chairman, CEO, CFO, CCO and NEDs. All transactions with key management personnel have been made on an arms-length basis.

Five Directors are accruing retirement benefits under a money purchase scheme (2023: five).

Compensation includes share-based payments of £97,000 (2023: £110,000) in relation to the LTIP.

Share-based payments

LTIP (2023)

On 21 July 2023 the Group adopted a replacement long term incentive plan ('LTIP') with share awards made to key members of the management team (Note 22). Andrew Wass, Gareth Bevan and Chris Scott are participating with 250,000 'E' Ordinary shares awarded in Gear4music Limited ('G4M Ltd').

The new LTIP replaced the two existing LTIPs established in 2018 (and subsequently re-based in 2020) and in 2021 in full, with all awards made under those LTIPs replaced and cancelled.

The initial subscription cost for Andrew Wass and Gareth Bevan was paid with the proceeds received from the redemption by G4M Ltd of the 'C' Ordinary shares and 'D' Ordinary shares from the 2018 and 2021 LTIPs respectively at their nominal value. The initial subscription cost for Chris Scott was paid with the proceeds received from the redemption by G4M Ltd of the 'C' Ordinary shares and 'D' Ordinary shares from the 2018 and 2021 LTIPs respectively at their nominal value, and £1,580 in cash paid by way of a cash bonus.

Company balance sheet

	Notes	Year ended 31 March 2024 £000	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000	Year ended 31 March 2023 £000
Fixed assets					
Investments	4		5,976		5,319
Current assets					
Cash in hand and at bank	6	33		14	
Debtors (including £8.81m (2023: £9.22m) due after more than one year)	5	8,846		9,254	
		8,879		9,268	
Creditors: amounts falling due within one year	7	(92)		(74)	
Net current assets			8,787		9,194
Total assets less current liabilities			14,763		14,513
Net assets			14,763		14,513
Capital and reserves					
Called up share capital	8		2,098		2,098
Share premium account	8		13,286		13,286
Profit and loss account b/f	8		(871)		(936)
Profit for the year			250		65
Shareholders' funds			14,763		14,513

The Notes 1 to 9 form part of these Financial Statements.

These Financial Statements were approved by the Board of Directors on 24 June 2024 and were signed on its behalf by:

ANDREW WASS
DIRECTOR
24 June 2024

CHRIS SCOTT
DIRECTOR
24 June 2024

Company registered number: 07786708

Company statement of changes in equity

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 31 March 2022	2,098	13,286	(936)	14,448
Loss for the year	–	–	(180)	(180)
Share-based payments charge	–	–	245	245
Total changes in equity	–	–	65	65
Balance at 31 March 2023	2,098	13,286	(871)	14,513
Profit for the year	–	–	96	96
Share-based payments charge	–	–	154	154
Total changes in equity	–	–	250	250
Balance at 31 March 2024	2,098	13,286	(621)	14,763

The accompanying notes form an integral part of the financial statements.

Notes to the Company Financial Statements

1 Accounting policies
The Company's principal activity is to act as the holding company for the Group, whose principal activity is as a retailer of musical instruments and equipment.

1.1 Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102') as issued in March 2018. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:
- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of the Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:
- Certain disclosures required by FRS 102.26 Share-Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposed to continue to adopt the reduced disclosure framework FRS 102 in future periods.

Accounting period
The financial statements presented cover the years ended 31 March 2024 and 31 March 2023.

Measurement convention
The financial statements have been prepared on the historical cost basis.

Functional currency
The financial statements are presented in Sterling which is the Company's functional currency.

1.2 Going concern
These financial statements are prepared on a going concern basis as explained on pages 73 to 74.

1.3 Investment in subsidiaries
These are separate financial statements of the Company. Investments in subsidiaries are carried at cost less impairments.

1.4 Classification of financial instruments issued by the Company
In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:
(a) they include no contractual obligations upon the Company 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 Company; and
(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company 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 Company's own shares, the amounts presented in this financial information for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Basic financial instruments
Basic financial instruments comprise investments other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors
Other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors
Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributed transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Inter-company loans
Amounts owed by Group undertakings are initially recognised at fair value. Subsequently, they are measured at amortised cost using the effective interest rate method less provision for impairment. If the arrangement constitutes a financing transaction, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Notes to the Company Financial Statements continued

1 Accounting policies continued

1.6 Impairment

Financial assets (including debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows. The effect of discounting is not material. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company'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.

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').

An impairment loss would be recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. No impairments have been recognised in the periods presented.

1.7 Provisions

A provision is recognised in the balance sheet when the Company 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.

1.8 Employee benefits

Defined contribution plans

A defined contribution pension plan is a post-employment benefit plan under which the Company 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 the income statement in the periods during which services are rendered by employees.

Share-based payment transactions

Share-based payment arrangements in which the Company 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 payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using the Black Scholes model or a Monte-Carlo simulation model, taking into account the terms and conditions upon which the options 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.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Share-based payment costs which are borne by the Parent Company on behalf of employees employed by the subsidiary entity are recharged through the inter-company.

1.9 Financial income and expenses

Financing expenses comprise interest payable and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Financing income comprises interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Dividend income is recognised in profit and loss on the date the Company's right to receive payment is established.

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax.
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 balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 balance sheet 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 timing difference can be utilised.

2 Expenses

Included in profit/loss are the following:

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Auditor remuneration – audit of financial statements	72	65

3 Directors' remuneration

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Directors' remuneration	722	717
Company contributions to money purchase pension schemes	25	31
	747	748

The three Executive Directors are paid through Gear4music Limited, and the three Non-Executive Directors are paid through Gear4music (Holdings) plc. The remuneration of all six Directors is included above.

The aggregate remuneration of the highest paid Director was £230,000 during the year (2023: £232,000), including Company pension contributions of £8,000 (2023: £9,000) that were made to a money purchase scheme on their behalf.

There are five Directors (2023: five) for whom retirement benefits are accruing under a money purchase pension scheme.

4 Fixed asset investments

	Subsidiary undertakings £000
Cost	
At 1 April 2023	5,319
Capital contribution	657
At 31 March 2024	**5,976**

Capital contribution represents interest charged and waived and treated as a capital contribution.

The Company has the following investments in subsidiaries:

Subsidiaries	Registered office address	Registered number	Class of shares held	Ownership
Gear4music Limited	Holgate Park Drive, York, YO26 4GN	03113256	Ordinary	100%
Cagney Limited	Holgate Park Drive, York, YO26 4GN	04493300	Ordinary	100% via G4M Ltd
Gear4music Sweden AB	Metallvägen 45a, 195 72 Rosersberg, Stockholm County, Sweden	559070-4762	Ordinary	100% via G4M Ltd
Gear4music GmbH	Lahnstraße 27, 45478 Mülheim an der Ruhr, Germany	HRB 29067	Ordinary	100% via G4M Ltd
Gear4music Europe Limited (formerly known as Gear4music Ireland Limited)	Block 7 Jamestown Business Park, Finglas, Co. Dublin, D11 X59D, Ireland	693113	Ordinary	100% via G4M Ltd
Gear4music Spain SL	Carrer Número 21 del Parc Logístic, nº 12-14 08040 Barcelona, Spain	21097476	Ordinary	100% via G4M Ltd

Cagney Limited is a dormant company.

On 5 July 2023 Gear4music Norway AS was dissolved.

On 28 November 2023 AV Distribution Ltd was dissolved.

Notes to the Company Financial Statements continued

5 Debtors

Due within one year:

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Other debtors	36	32
	36	32

Due after more than one year:

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Amounts owed by Group undertakings	8,810	9,222
	8,810	9,222

The loan to Group undertakings is repayable in 12 months and one day from the year end. Interest charged at 5.95% has been waived and treated as a capital contribution.

As at 31 March 2024, receivables from subsidiary undertakings were unimpaired and considered by management to be fully recoverable.

6 Cash and cash equivalents

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Cash and cash equivalents per balance sheet	33	14

7 Creditors: amounts falling due within one year

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Trade creditors	10	3
Accruals	82	71
	92	74

8 Share capital and reserves

Share capital

	Year ended 31 March 2024 Number	Year ended 31 March 2023 Number
Authorised, called up and fully paid:		
Opening Ordinary shares of 10p each	20,976,938	20,976,938
Issue of shares	–	–
Closing Ordinary shares of 10p each	20,976,938	20,976,938

The Company has one class of Ordinary share and each share carries one vote and ranks equally with the other Ordinary shares in all respects including as to dividends and other distributions.

Share premium

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Opening	13,286	13,286
Issue of shares	–	–
Closing	13,286	13,286

Retained earnings

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Opening	(871)	(936)
Share-based payment charge	154	245
Profit/(loss) for the year	96	(180)
Closing	(621)	(871)

9 Related parties

Share-based payments – LTIP 2023

On 21 July 2023 the Group adopted a replacement long term incentive plan ('LTIP') with share awards made to key members of the management team (Note 22). Andrew Wass, Gareth Bevan and Chris Scott are participating with 250,000 'E' Ordinary shares awarded in Gear4music Limited ('G4M Ltd').

The new LTIP replaced the two existing LTIPs established in 2018 (and subsequently re-based in 2020) and in 2021 in full, with all awards made under those LTIPs replaced and cancelled.

The initial subscription cost for Andrew Wass and Gareth Bevan was paid with the proceeds received from the redemption by G4M Ltd of the 'C' Ordinary shares and 'D' Ordinary shares from the 2018 and 2021 LTIPs respectively at their nominal value. The initial subscription cost for Chris Scott was paid with the proceeds received from the redemption by G4M Ltd of the 'C' Ordinary shares and 'D' Ordinary shares from the 2018 and 2021 LTIPs respectively at their nominal value, and £1,580 in cash paid by way of a cash bonus.

Notes

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Gear4music (Holdings) plc
Holgate Park Drive
York YO26 4GN
UK

Kettlestring Lane
Clifton Moor
York YO30 4XF
UK

0330 365 4444
ir@gear4music.com

www.gear4music.com
www.gear4musicplc.com