22 June 2021

Gear4music (Holdings) plc
Audited results for the year ended 31 March 2021

"Transformational performance has established a broader platform for further growth"

Gear4music (Holdings) plc, ("Gear4music" or "the Group") (LSE: G4M), the largest UK based online retailer of musical instruments and music equipment, today announces its financial results for the year ended 31 March 2021.

FY21 Highlights:

£m	Year ended 31 March 2021	Year ended 31 March 2020	Change
Revenue	157.5	120.3	+31%
Gross profit	46.4	31.2	+48%
Gross margin	29.4%	25.9%	+350bps
EBITDA	19.8	7.8	+154%
Net profit	12.6	2.6	+488%

- Exceptional financial performance, delivered alongside continued organic growth
- EBITDA up by 154% to £19.8m, ahead of consensus market expectations
- Net cash at year end of £2.7m (31 March 2020 net debt: £5.5m)
- Active customers up 32% to 1.06m
- Strategic acquisitions of two brands:
    - Premier, a Drums and Percussion brand; and
    - Eden, a Bass guitar amplification brand
- New distribution hubs to be opened in Ireland and Spain
- Trading in April and May 2021 stronger than the Board's previous expectations

Commenting on the results, Andrew Wass, Chief Executive Officer said:

"FY21 has been a transformational year for the Group, during which we have delivered an exceptional financial performance whilst rising to the unprecedented operational challenges presented by COVID-19 and Brexit.

As previously reported, we had an exceptional period of trading during FY21, particularly during the initial COVID-19 lockdown in Q1. The number of potential customers in our market significantly increased, as traditional high street retailers were unable to operate as normal and people sought activities in which to participate whilst spending more time at home.

The Group is in a strong position to build upon the significant success of FY21, as we accelerate the development of our bespoke e-commerce platform and strengthen our European distribution network by launching new operational hubs in Ireland and Spain.

As recently reported, we have started to consider acquisition opportunities, and we are very pleased to have recently acquired two brands that will become part of the Gear4music own-brand portfolio: Premier, a Drums and Percussion brand with a rich musical heritage dating back to 1922, and Eden, a Bass guitar amplification brand previously owned by Marshall Amplification.

Given that the FY21 exceptional financial performance was driven by the initial COVID-19 lockdowns during H1, the Board does not expect to meet the same level of trading during H1 FY22, and as previously guided, does not currently expect to achieve the same level of full year profitability during FY22 that the Group achieved during FY21.

However, trading in Q1 FY22 has been stronger than the Board previously expected and, having retained a good proportion of the gross margin gain achieved during FY21, financial results for FY22 are likely to be ahead of the Board's previous expectations.

The outlook and general demand for musical instruments and equipment remains positive, and with the strategies and actions we are taking, we remain confident of delivering sustainable and profitable growth in the long-term."

ENDS

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About Gear4music (Holdings) plc

Operating from a Head Office in York, and Distribution Centres and showrooms in York, Sweden and Germany, the Group sells own-brand musical instruments and music equipment alongside premium third-party brands including Fender, Yamaha and Roland, to customers ranging from beginners to musical enthusiasts and professionals, in the UK, Europe and, more recently, into the Rest of the World.

Having developed its own e-commerce platform, with multilingual, multicurrency websites delivering to over 190 countries, the Group continues to build its overseas presence.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No. 596/2014 (as retained in UK law).

Chairman's statement

I am pleased to report another successful year but do so with mixed emotions as I reflect on the hardships that COVID-19 brought to so many over the year.

From the outset of the COVID-19 outbreak, our priority has been to safeguard the health and safety of our employees and to provide an uninterrupted service to our customers. We took the necessary precautions to keep our staff safe, including facilitating remote working and implementing extensive measures in our warehouses to enable social distancing, whilst ensuring our operations could continue with minimal impact.

The collective effort of our hardworking and dedicated teams has kept the operation running with minimal disruption to order processing and fulfilment throughout the various lockdown periods and, as a result, the significantly heightened customer demand has been met. I am pleased to report that we took the opportunity to recognise these momentous efforts and pay a one-off employee bonus in March 2021 as a token of our thanks.

Operational and Commercial progress

Whilst COVID-19 has undoubtedly positively impacted the results in FY21, it is clear to me that the business continued to make operational and strategic improvements in the Group's stated ambitions of accelerating market share growth, improving gross margins and operating expense management. In addition, we successfully and safely increased operational capacity to meet an unexpected significant increase in demand in Q1 FY21 and ahead of the FY21 peak trading period. The results reported today bear testament to success on each front.

We believe that the competitive retail landscape in musical instruments and equipment will look different post COVID-19, as physical store operators struggle with the well reported accelerated channel shift to online.

The FY21 financial performance has been transformative in terms of strengthening the balance sheet and moving into a net cash position at the year-end, and provides evidence and further confidence in terms of results that can be achieved when the market and internal efficiencies allow. The addition of a committed three-year £35m Revolving Credit Facility will open up further opportunities such as acquisition and accelerated investment for the Group as we progress through FY22.

This year has seen a step change in the opportunity for our business and, as a result, we have been able to commence new initiatives which will enable us to drive growth alongside our core business, whilst also launching and delivering on our acquisition strategy.

Achieving these results through challenging times, unlike anything we have seen before, reflects well on the significant efforts of the Executive and Senior Management team, and these results would not have been possible without the hard work, passion and dedication of all our colleagues across the business.

Environmental, Social and Governance

In Q1 FY22 we launched an updated 'Supplier Code of Conduct' that formally commits our own-brand manufacturing partners to our extended and deepened expectations in relation to labour related areas, health and safety, environmental and anti-corruption measures.

We are pleased to have supported several charities during the year, including York based Jessie's fund, which works all over the UK helping children who are seriously ill, disabled, or have special educational needs to express themselves through music.

I was delighted to welcome Harriet Williams to the Board in January 2021, and her e-commerce experience and expertise is already helping the business to further develop its strategy. This appointment takes the number of Non-Executive Directors on the Board to three, thereby matching the number of Executives.

The Operational Board has been further strengthened with the addition of Eleni Buras, who joined the Group in 2015 and her knowledge and skills in Performance Marketing will benefit Board level management.

Outlook

The Board remains confident that our customer proposition, operational infrastructure, strengthened balance sheet and access to capital will enable the Group to achieve its business objectives, namely accelerating market share gains and delivering operational efficiencies, during the current financial year and beyond.

Ken Ford
Chairman
21 June 2021

Chief Executive’s Statement

Financial KPIs

Financial KPIs

	FY21	FY20	Change
Revenue *	**£157.5m**	£120.3m	+31%
UK Revenue *	**£78.7m**	£61.8m	+27%
International Revenue *	**£78.8m**	£58.5m	+35%
Gross margin	**29.4%**	25.9%	+350bps
Gross profit	**£46.4m**	£31.2m	+48%
Total Admin expenses *	**£30.9m**	£27.1m	+14%
European Admin expenses *	**£3.8m**	£2.5m	+52%
EBITDA	**£19.8m**	£7.8m	+154%
Net profit	**£12.6m**	£2.6m	+385%
Net cash/(debt) **	**£2.7m**	(£5.5m)	+£8.2m

* See note 2 of the Financial Information
** See notes 12 and 13 of the Financial Information

Commercial KPIs

	FY21	FY20	Change
Website visitors	**36.0m**	28.4m	+27%
Conversion rate	**3.69%**	3.29%	+40bps
Average order value	**£116**	£117	-1%
Active customers	**1,064,000**	807,000	+32%
Products listed	**57,900**	54,200	+7%

Business review

It is a strong testament to the commitment, talent and flexibility of our teams, that we have been able to overcome many of the difficulties and complexities associated with COVID-19 and Brexit, and deliver record order volumes whilst maintaining high levels of service for our new and returning customers.

Q1 FY21 saw exceptional sales volumes as customers sought to take on new skills or enhance existing musical talent, in addition to using music to improve health and mental wellbeing. With high street shops also being closed, it became necessary for us to deliberately restrain marketing spend during Q1 to ensure our logistics operation was able to cope with heightened demand, whilst ensuring our operating environment remained safe for staff. This situation contributed to a one-off exceptional level of profitability during Q1.

Demand remained strong throughout Q2 and Q3, during which time we focused much of our development resource on preparing for Brexit. As a result of our preparations and ability to satisfy a good level of EU-based demand locally, trading during Q4 remained relatively strong despite the new challenges of a UK-EU customs border, which would have otherwise significantly disrupted order fulfilment and revenues.

Revenues were driven throughout FY21 by very strong growth in our studio and recording category, with guitar products also continuing to sell well, alongside digital keyboards and pianos. Own-brand sales have been particularly strong as customers sought excellent value intermediate and beginner products, with new niches developing such as Sound Therapy instruments.

Building upon the excellent progress made with margins and operational efficiency during FY20, the Group has proven to be well positioned to deal with the challenges of FY21, achieving record sales and profitability whilst laying the foundations for future growth.

Growth Strategy & Acquisitions

Development of our bespoke platform remains central to our digital growth strategy. During FY21 our in-house team of 67 developers made 1,396 deployments, launching new features including the ability to allow the sale and immediate download of digital software products, Apple Pay integration, and additional warehouse management and dispatch tools to support increasing order volumes. In addition, we began to lay the foundations for several significant growth orientated features to be launched during FY22.

Brexit related software projects and preparations required a significant amount of development resource during FY21, and having had the opportunity to fully understand and evaluate the impact of Brexit since 1 January 2021, our European growth strategy will now include the strengthening of our European distribution network, with the addition of two new logistics hubs during FY22.

Our new Irish hub in Dublin will serve the domestic and Northern Ireland markets, and our new Spanish hub in Barcelona will, importantly, provide an improved customer experience by significantly reducing the delivery costs and timescales of orders being delivered across Southern Europe. Both hubs will be fully operational by H2 FY22, and will help to further reduce UK-EU cross border administration costs whilst increasing our overall capacity for holding additional inventory to further help mitigate any supply chain disruption.

Developing and expanding our own-brand product ranges is a key part of our ongoing strategy to support gross margins, and we are very pleased to have added the Premier and Eden brands into our portfolio, to accelerate our product range development and widen our geographical reach.

As a result of the change in market dynamics, our increased financial strength and the new £35m bank facility, we expect to consider further acquisition opportunities during FY22, building upon the recent acquisitions of the Premier and Eden brands. Attractive acquisition opportunities may include existing brands already sold by Gear4music that could be integrated into our own-brand portfolio, or profitable retailers operating in compatible parallel markets that would allow the Group to increase its reach and addressable market.

Trading outlook

We are confident that a high proportion of new customers acquired during FY21 will continue to recognise the benefits that playing, creating and recording music can bring. As lockdowns across Europe begin to ease, live gigs and performances can hopefully be enjoyed at music venues again, creating demand for product categories such as PA systems and stage lighting that have slowed during the pandemic. We expect that alongside the accelerating shift to e-commerce, these factors will ensure the trading environment for the Group remains favourable.

I am proud of where we have taken the business over the last six years, growing revenues by over 550% between 2015 and 2021, and being able to meet customer demand during the last year so that our customers could enjoy music at a time when they needed it the most.

Having delivered on our core strategic objectives for FY21, we are now in a strong position to begin the next phase of our growth journey. We continue to see significant opportunities in both our UK and European markets for further growth, which in addition to establishing new sales verticals and considering further acquisition opportunities, provides the board with a high level of confidence the Group will continue to deliver long term value for its stakeholders.

Andrew Wass
Chief Executive Officer
21 June 2021

Chief Financial Officer's statement

Overview

As an online retailer operating in a niche sector where physical stores temporarily closed during COVID-19 lockdowns, coupled with the benefits of playing musical instruments and equipment on mental health and wellbeing which came to the fore, we benefited from unusually high demand, particularly in Q1.

Our priority throughout the pandemic has been to ensure the safety of our colleagues by following government guidelines, and we were able to keep our distribution centres largely open through the lockdown. COVID-19 has undoubtedly impacted our FY21 reported results in a number of ways.

The good progress and momentum generated in FY20 has been carried into FY21, and amplified by COVID-19 related factors, leading the business to deliver an exceptionally strong financial performance including record sales (£157.5m), profits (EBITDA of £19.8m) and cash generation (cash from operating activities of £14.9m).

Revenue

	FY21	FY20
	£m	£m
UK revenue	**78.7**	61.8
International revenue	**78.8**	58.5
Revenue	**157.5**	**120.3**

Revenue increased by £37.2m (31%) on last year, to £157.5m, with growth of 42% in H1 as COVID-19 restrictions across Europe led to very high customer demand, and 23% in H2. Given the impact of COVID-19 on the FY21 results, it will be important to consider two-year revenue growth as a relevant benchmark for H1 FY22.

UK growth of 27% takes our UK market share to an estimated 8.9% (FY20: 7.2%). International growth of 35% took international sales to over 50% of the Group total for the first time, and continues to represent a significant opportunity. Revenues from sales outside of Europe accounted for 1.3% of total revenue in both FY21 and FY20.

	FY21	FY20
	£m	£m
Other-brand product revenue	**104.2**	79.4
Own-brand product revenue	**45.4**	35.4
Carriage income	**7.1**	4.9
Other	**0.8**	0.6
Revenue	**157.5**	**120.3**

We continue to make progress in our own-brand business with revenues of £45.4m accounting for 29% of total revenue (FY20: 29%) from just 3,800 SKUs representing 7% of the total range (FY20: 3,400 SKUs).

Other brand revenue growth in FY20 was impacted by our cutting out less profitable sales, and growth in FY21 accelerated to 31%.

Carriage income increased by 45% to £7.1m as more customers were willing to pay for value-added upgraded delivery services.

Other revenue comprises warranty revenue, and commissions earned on facilitating point-of-sale credit for retail customers. The proportion of revenues coming from these sources was 0.5% of total revenue in FY21 and FY20.

Gross profit

	FY21	FY20	Change
Product sales (£m)	**149.6**	114.8	
Product profit (£m)	**50.9**	35.1	+45%
Product margin	**34.1%**	30.5%	+360bps
Carriage costs (£m)	**11.7**	8.8	+33%
Carriage costs as % of sales	**7.4%**	7.3%	+10bps
Gross profit (£m)	**46.4**	31.2	+48%
Gross margin	**29.4%**	25.9%	+350bps

In FY20 we focused on cutting out lower margin sales and focusing our efforts and resources on higher margin products, and this discipline and momentum continued into FY21. In Q1 FY21, the COVID-19 lockdown brought very high demand in certain product categories, and where stock levels were low and supply was limited, prices were increased to manage demand.

We invested in stock throughout the year to support the strong revenue growth, and as a precautionary measure against supply chain disruption coming out of COVID-19 and Brexit.

Strong revenue growth and a material step-up in gross margin combined to generate a £15.2m (48%) increase in gross profit in the year. Gross margin improved 350bps as a result of a 360bps improvement in product margin, driven by marked improvements in both own and other-brand margins.

The Group benefits from increasing 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 our growing network of European distribution centres which has been and will continue to be an important Brexit mitigation measure.

The Group purchases its own-brand products in US Dollars and product margin can be impacted by exchange rate fluctuations. The Group has various mitigating tools and own-brand margins improved in FY21.

Gear4music includes ‘costs of delivery’ within cost of sales which is a different accounting treatment to some other e-commerce retailers. Delivery costs were £11.7m in the period and represented 7.4% of total revenue (FY20: 7.3%). Taking into account carriage income as stated above, net delivery cost represented 2.9% of total revenue (FY20: 3.2%).

Administrative expenses and Operating profit

Operating profit of £15.4m represents an £11.3m (279%) improvement on FY20 (FY20: £4.1m).

	FY21	FY20
	£m	£m
UK Administrative expenses	**(27.1)**	(24.6)
European Administrative expenses	**(3.8)**	(2.5)
Total Administrative expenses	**(30.9)**	**(27.1)**
Operating profit	**15.4**	**4.1**

Total administrative expenses increased 14% on FY20 relative to a revenue increase of 31%.

Combined marketing and labour costs of £21.5m accounted for 69% of total administrative expenses (FY20: 70%):

- Marketing expenditure reduced in FY21: Marketing costs of £9.2m (FY20: £9.3m) equated to 5.9% of revenues (FY20: 7.7%) as the business made further progress on improving return on investment. Marketing investment, particularly in Q1, was restricted to manage demand whilst we ensured our distribution centres were COVID-19 secure, and as a result there was higher efficiency in marketing expenditure in H1 (5.3% of revenue) than in H2 (6.3%);

- Labour costs in FY21 increased to £12.3m representing a 27% increase on FY20, reflecting an 11% increase in headcount, and COVID-19 related inefficiencies particularly in our distribution centres. Labour costs accounted for 7.8% of sales (FY20: 8.1%).

FY21 EBITDA of £19.8m is £12.0m (154%) higher than last year reflecting a continuation of the commercial progress made in FY20 and a COVID-19 impact.

Other expenses and net profit

Net financial expenses of £0.8m (FY20: £1.0m) include £0.4m of IFRS16 lease interest (FY20: £0.4m), £0.2m bank interest (FY20: £0.4m), and a £0.2m net foreign exchange loss (FY20: £0.1m loss).

The Group reports a profit before tax of £14.6m which is an £11.5m improvement on FY20, and after tax translates into a basic EPS of 60.3p (FY20: 12.4p) and diluted EPS of 59.7p (FY20: 12.2p), the highest reported since IPO in 2015.

Cash-flow

	FY21	FY20
	£m	£m
Opening cash	**7.8**	5.3
Profit for the year	**12.6**	2.6
Movement in working capital	**(4.9)**	(0.9)
Depreciation and amortisation	**4.4**	3.7
Financial expense	**0.8**	1.0
Tax and Other operating adjustments	**2.0**	1.0
Net cash from operating activities:	**14.9**	7.4
Net cash from investing activities:	**(4.5)**	(3.9)
Net cash from financing activities:	**(12.0)**	(1.0)
(Decrease)/increase in cash in the year	**(1.6)**	2.5
Closing cash	**6.2**	7.8

Cash decreased by £1.6m over the year as surplus cash generation was used to pay down debt, putting the Group in a £2.7m net cash position at the year-end (31 March 2020: net debt of £5.5m).

The business actively invested in stock throughout the year to support the strong sales growth, mitigate any COVID-19 supply chain issues, and build stock in European distribution centres ahead of the UK leaving the EU.

Net cash outflow from investing activities of £4.5m includes £3.2m of capitalised software development costs (FY20: £2.8m) and £1.2m of tangible fixed additions (FY20: £0.7m). Depreciation and amortisation of £3.2m (FY20: £2.5m) is added back in 'net cash from operating activities' with respect to these asset categories.

Net cash outflow from financing activities of £12.0m (FY20: £1.0m outflow) includes £9.9m repayment of borrowing (FY20: £0.5m) and £1.4m payment of lease liabilities (FY20: £1.2m).

Balance sheet

As a result of the performance in the year, the Group has a strong year-end balance sheet, with net assets of £34.3m (FY20: £21.6m), and net cash of £2.7m (FY20 net debt: £5.5m).

	31 March 2021	31 March 2020
	£m	£m
Property, plant and equipment	**11.2**	11.2
IFRS16 Right-of-use asset	**7.9**	9.0
Software platform	**8.4**	7.1
Other intangible assets	**2.0**	2.0
Total non-current assets	**29.5**	29.3
Stock	**28.4**	22.0
Cash	**6.2**	7.8
Other current assets	**3.6**	2.5
Total current assets	**38.2**	32.3
Trade payables	**(11.4)**	(10.1)
Loans and Borrowings	**(0.6)**	(10.0)
Lease liabilities	**(1.1)**	(1.1)
Other current liabilities	**(7.5)**	(4.3)
Total current liabilities	**(20.6)**	(25.5)
Loans and Borrowings	**(2.9)**	(3.4)
Lease liabilities	**(8.3)**	(9.5)
Other non-current liabilities	**(1.6)**	(1.6)
Total non-current liabilities	**(12.8)**	(14.5)
Net assets	**34.3**	21.6

Capital expenditure in property, plant and equipment of £1.2m partly related to making our properties as COVID-19 secure as they can be, and supporting our colleagues in homeworking.

We capitalised £3.2m (FY20: £2.8m) of software development costs relating to our bespoke e-commerce platform, including a number of Brexit-related deployments and projects focusing back on growth. Platform amortisation in the year was £1.9m (FY20: £1.5m) taking net book value to £8.4m (31 March 2020: £7.1m).

The Group had net cash of £2.7m at the year-end (31 March 2020 net debt: £5.5m) having used surplus cash to fund own-brand stock increases rather than drawing import loans, to reduce the interest cost. Year-end debt of £3.5m includes commercial loans of £3.4m relating to and secured by our freehold head office (45% loan to value).

Dividends

The Board is confident in the prospects for the business and recognises the importance of 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.

On behalf of the Board

Chris Scott Chief Financial Officer 21 June 2021

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Note	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Revenue		**157,451**	120,326
Cost of sales		**(111,097)**	(89,170)
Gross profit		**46,354**	31,156
Administrative expenses	*2,3*	**(30,945)**	(27,089)
Operating profit		**15,409**	4,067
Financial expenses	*5*	**(770)**	(989)
Profit before tax		**14,639**	3,078
Taxation	*6*	**(1,998)**	(488)
Profit for the year		**12,641**	2,590
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	*7*	**-**	309
Deferred tax movements		**8**	(93)
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**(17)**	(37)
Total comprehensive income for the year		**12,632**	2,769
Basic profit per share	*4*	**60.3p**	12.4p
Diluted profit per share	*4*	**59.7p**	12.2p

The accompanying notes form an integral part of the consolidated financial report.

Consolidated Statement of Financial Position

	Note	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Non-current assets			
Property Plant and Equipment	*7*	**11,190**	11,219
Right-of-use assets	*8*	**7,871**	8,962
Intangible assets	*9*	**10,395**	9,084
		29,456	29,265
Current assets			
Inventories	*10*	**28,430**	22,015
Trade and other receivables	*11*	**3,647**	2,501
Cash and cash equivalents	*12*	**6,203**	7,839
		38,280	32,355
Total assets		**67,736**	61,620
Current liabilities			
Interest-bearing loans and borrowings	*13*	**(575)**	(9,949)
Trade and other payables	*14*	**(18,938)**	(14,442)
Lease liabilities	*15*	**(1,099)**	(1,148)
		(20,612)	(25.539)
Non-current liabilities			
Interest-bearing loans and borrowings	*13*	**(2,901)**	(3,439)
Other payables	*14*	**(110)**	(107)
Lease liabilities	*15*	**(8,315)**	(9,519)
Deferred tax liability		**(1,486)**	(1,407)
		(12,812)	(14,472)
Total liabilities		**(33,424)**	(40,011)
Net assets		**34,312**	21,609
Equity			
Share capital	*16*	**2,095**	2,095
Share premium	*16*	**13,165**	13,152
Foreign currency translation reserve	*16*	**(51)**	(34)
Revaluation reserve	*16*	**1,640**	1,674
Retained earnings	*16*	**17,463**	4,722
Total equity		**34,312**	21,609

The notes 1 to 18 form part of the consolidated financial report.

Company registered number: 0778670.

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 2019	**2,095**	**13,152**	**3**	**1,424**	**2,033**	**18,707**
Comprehensive income for the year						
Profit for the year	-	-	-	-	2,590	**2,590**
Other comprehensive income	-	-	(37)	-	(34)	**(71)**
Freehold property revaluation	-	-	-	309	-	**309**
Deferred tax impact of revaluation	-	-	-	(59)	-	**(59)**
Share based payments charge	-	-	-	-	133	**133**
Total comprehensive income for the year	**-**	**-**	**(37)**	**250**	**2,689**	**2,902**
Balance at 31 March 2020	**2,095**	**13,152**	**(34)**	**1,674**	**4,722**	**21,609**
Comprehensive income for the year						
Profit for the year	-	-	-	-	12,641	**12,641**
Other comprehensive income	-	-	(17)	-	10	**(7)**
Deferred tax adjustment – timing difference	-	-	-	-	(8)	**(8)**
Share based payments charge	-	-	-	-	64	**64**
Depreciation transfer	-	-	-	(34)	34	**-**
Total comprehensive income for the year	**-**	**-**	**(17)**	**(34)**	**12,741**	**12,690**
Transactions with owners						
Issue of shares	-	13	-	-	-	**13**
Total transactions with owners	**-**	**13**	**-**	**-**	**-**	**13**
Balance at 31 March 2021	**2,095**	**13,165**	**(51)**	**1,640**	**17,463**	**34,312**

The accompanying notes form an integral part of the consolidated financial report.

Consolidated Statement of Cash Flows

	Note	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Cash flows from operating activities			
Profit for the year		**12,641**	2,590
Adjustments for:			
Depreciation and amortisation	*7,8,9*	**4,372**	3,687
Financial expense	*5*	**770**	989
(Profit)/loss on sale of property, plant and equipment		**(4)**	11
Share based payment charge		**64**	133
Taxation	*6*	**1,998**	488
		19,841	7,898
Increase in trade and other receivables	*11*	**(1,181)**	(844)
Increase in inventories	*10*	**(6,415)**	(3,354)
Increase in trade and other payables	*14*	**2,687**	3,273
		14,932	6,973
Tax (paid)/received	*6*	**(37)**	501
Net cash from operating activities		**14,895**	7,474
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**14**	50
Acquisition of property, plant and equipment	*7*	**(1,166)**	(740)
Capitalised development expenditure	*9*	**(3,186)**	(2,820)
Acquisition of a business	*9*	**(200)**	(400)
Net cash from investing activities		**(4,538)**	(3,910)
Cash flows from financing activities			
Cash from share issue		**13**	-
Proceeds from new borrowings	*13*	**29**	1,565
Interest paid		**(692)**	(806)
Repayment of borrowings	*13*	**(9,948)**	(546)
Payment of lease liabilities	*15*	**(1,379)**	(1,205)
Net cash from financing activities		**(11,977)**	(992)
Net (decrease)/increase in cash and cash equivalents		**(1,620)**	2,572
Cash and cash equivalents at beginning of year		**7,839**	5,304
Foreign exchange movement		**(16)**	(37)
Cash and cash equivalents at end of year	*12*	**6,203**	7,839

The accompanying notes form an integral part of the consolidated financial report.

Notes

(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 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.

The Group has two trading European subsidiaries: Gear4music Sweden AB and Gear4music GmbH, and one dormant European subsidiary, Gear4music Norway AS. All three are 100% subsidiaries of Gear4music Limited.

On 20 April 2021 the Group incorporated an Irish subsidiary, Gear4music Ireland Limited.

1 Accounting policies

1.1 Basis of preparation

The financial information set out in this announcement does not constitute statutory accounts as defined by section 434 of the Companies Act 2006.

It has been prepared in accordance with the recognition and measurement principles of International accounting standards in conformity with the Companies Act 2006, including IFRIC interpretations issued by the International Accounting Standards Board, and in accordance with the AIM rules and is not therefore in full compliance with IFRS. The principal accounting policies of the Group have remained unchanged from those set out in the Group's 2020 annual report. The financial statements have been prepared under the historical cost convention with the exception of land and buildings which are accounted for at fair value.

The results for the year ended 31 March 2021 have been extracted from the full accounts of the Group for that year which have not yet been delivered to the Registrar of Companies. Grant Thornton UK LLP has reported on those accounts and their report is (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The financial information for the year ended 31 March 2020 is derived from the statutory accounts for that year, which have been delivered to the Registrar of Companies. Grant Thornton UK LLP reported on those accounts and their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group.

The announcement will be published on the Company's website. The maintenance and integrity of the website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Accounting period

The financial statements presented cover the years ended 31 March 2021 and 31 March 2020.

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 for the first time during the year ending 31 March 2021, and the impact is not material:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3: Business Combinations
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS7: Interest Rate Benchmark Reform
- Amendment to IFRS 16: COVID-19-Related Rent Concessions
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

1.3 Going concern

The Group's business activities and position in the market are described in the Strategic Report.

In FY21 the Group invested significant time and effort successfully managing the challenges of operating distribution centres through the COVID-19 pandemic, and as a result and as reported in these financial statements, the Group reports a significant increase in profits and profitability, a stronger balance sheet, and net cash at the year-end. The evolving COVID-19 situation is kept under regular review.

The Directors have considered the Group's growth prospects in the period to 31 March 2023 based on its customer proposition and online offering in the UK and Europe, and concluded that potential growth rates remain strong as the reported channel shift to online accelerated during COVID-19. The Group has conducted various stress-tests, none of which resulted in a change to the assessment of the Group as a going concern.

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 2021 the Group had net cash of £2.7m (31 March 2020: net debt of £5.5m), with £6.2m cash (31 March 2020: £7.8m cash). On 21 April 2021 the Group secured a £35m three-year committed Revolving Credit Facility with its bankers, HSBC. This significant headroom has been factored into the Directors going concern assessment.

Having duly considered all of these factors and having reviewed the forecasts for the coming year, 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.

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. 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 2021 £000	Year ended 31 March 2020 £000
UK	**78,690**	61,821
Europe and Rest of the World	**78,761**	58,505
	157,451	120,326

Administrative expenses by Geography

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
UK	**27,109**	24,562
Europe	**3,836**	2,527
	30,945	27,089

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 2021: £4.3m; 31 March 2020: £4.5m) and Germany (31 March 2021: £2.5m: 31 March 2020: £2.7m).

Revenue by Product category

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Other-brand products	**104,199**	79,416
Own-brand products	**45,368**	35,432
Carriage income	**7,135**	4,930
Warranty income	**545**	337
Other	**204**	211
	157,451	120,326

3 Staff numbers and costs

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

	Year ended 31 March 2021 Nos.	Year ended 31 March 2020 Nos.
Administration	**196**	179
Selling and Distribution	**323**	287
	519	466

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Wages and salaries	**10,105**	7,736
Social security costs	**1,451**	1,167
Contributions to defined contribution plans	**691**	659
	12,247	9,562

Directors' remuneration

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Directors' remuneration	**641**	**507**
Company contributions to money purchase pension schemes	**19**	**16**
	660	**523**

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 £228,000 during the year (2020: £174,000), including company pension contributions of £7,000 that were made to a money purchase scheme on their behalf.

There are four directors (2020: 4) for whom retirement benefits are accruing under a money purchase pension scheme.

4 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 into ordinary shares.

	Year ended 31 March 2021	**Year ended 31 March 2020**
Profit attributable to equity shareholders of the parent (£'000)	**12,641**	2,590
Basic weighted average number of shares	**20,948,595**	20,945,328
Dilutive potential ordinary shares	**218,033**	228,119
Diluted weighted average number of shares	**21,166,628**	21,173,447
Basic profit per share	**60.3p**	12.4p
Diluted profit per share	**59.7p**	12.2p

5 Finance income and expenses

	Year ended 31 March 2021 £000	**Year ended 31 March 2020 £000**
Fair value movement	-	5
Total finance income	-	5

	Year ended 31 March 2021 £000	**Year ended 31 March 2020 £000**
Bank interest	**196**	389
IFRS16 lease interest	**403**	442
Net foreign exchange loss	**161**	144
Unwinding of discount on deferred consideration	**10**	19
Total finance expense	**770**	994
Total net finance expense	**770**	989

6 Taxation

Recognised in the income statement

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Current tax expense		
UK Corporation tax	**1,201**	(77)
Overseas Corporation tax	**94**	45
Adjustments for prior periods	**625**	91
Current tax expense	**1,919**	59
Deferred tax expense		
Origination and reversal of temporary differences	**989**	266
Deferred tax rate change impact	**-**	82
Adjustments for prior periods	**(903)**	81
Deferred tax expense	**86**	429
Total tax expense	**2,005**	488

The corporation tax rate applicable to the company was 19% for the year ended 31 March 2021, and 19% for the period ended 31 March 2020. The Budget of 11 March 2020 reversed the expected reduction in corporation tax rate to 17% from 1 April 2020. The corporation tax rate has therefore remained at 19% and was substantively enacted on 17 March 2020. The deferred tax assets and liabilities at 31 March 2021 have been calculated based on that rate.

At the Budget announcement on 3 March 2021 the UK government has stated its intention to raise the corporation tax rate to 25% from 1 April 2023 although this has yet to be substantively enacted in legislation.

Adjustments for prior period include an £138,000 deferred tax credit in respect of carried forward tax losses resulting from the recognition of a previously unrecognised deferred tax asset in respect of losses where utilisation was previously deemed too uncertain in Gear4music (Holdings) plc and recognition of a £765,000 deferred tax asset on c.£3.75m of losses brought forward in Gear4music Limited arising from the company's FY19 R&D claim. These losses were previously surrendered for a tax credit at 14.5% in the company's original tax filing, which has led to a corporation tax charge in of £621,000.

Reconciliation of effective tax rate

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Profit for the year	**12,641**	2,590
Total tax charge	**1,998**	488
Profit excluding taxation	**14,639**	3,078
Current tax at 19% (*2020: 19.0%)*		
Tax using the UK corporation tax rate for the relevant period:	**2,781**	584
Non-deductible expenses	**(27)**	22
Deferred tax rate change impact	**-**	82
Adjustments relating to prior year – deferred tax	**(903)**	81
Adjustments relating to prior year – current tax	**624**	91
R&D claim additional deduction	**(470)**	(420)
Impact of overseas tax rate	**(1)**	2
Deferred tax assets not recognised	**1**	46
Total tax charge	**2,005**	488

7 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 2019	1,259	4,384	62	778	7,350	13,833
Additions	435	558	-	122	-	1,115
Disposals	(62)	-	-	-	-	(62)
Revaluation	-	-	-	-	150	150
Balance at 31 March 2020	1,632	4,942	62	900	7,500	15,036
Additions	215	757	-	194	-	1,166
Disposals	-	-	(32)	-	-	(32)
Balance at 31 March 2021	**1,847**	**5,699**	**30**	**1,094**	**7,500**	**16,170**
Depreciation and impairment						
At 1 April 2019	656	1,744	28	480	159	3,067
Depreciation charge for the year	252	520	8	129	-	909
Disposals	-	-	-	-	-	-
Revaluation	-	-	-	-	(159)	(159)
Balance at 31 March 2020	908	2,264	36	609	-	3,817
Depreciation charge for the year	314	556	5	160	150	1,185
Disposals	-	-	(22)	-	-	(22)
Balance at 31 March 2021	**1,222**	**2,820**	**19**	**769**	**150**	**4,980**
Net book value as at 31 March 2021	**625**	**2,879**	**11**	**325**	**7,350**	**11,190**
Net book value as at 31 March 2020	724	2,678	26	291	7,500	11,219
Net book value as at 31 March 2019	603	2,640	34	298	7,191	10,766

Freehold property valuation

At 31 March 2020 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. Management have reviewed the fair value as at 31 March 2021 and concluded that this would not be materially different.

If the property had not been revalued the net book value would have been £5,211,000.

Right of use assets

Included in motor vehicles at 31 March 2021 is a right of use asset with a net book value of £45,000 that has not been reclassified on immateriality grounds.

Security

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

8 Right of use assets

Leasehold properties

The Group has four leased properties: Distribution Centre and Showrooms in York, Sweden and Germany, and a software development office in Manchester. The associated right-of-use assets are as follows:

	Short leasehold properties £000
Cost	
Transition on adoption of IFRS16 on 1 April 2019	10,177
Additions	-
Balance at 31 March 2020	10,177
Additions	128
Balance at 31 March 2021	**10,305**
Depreciation	
At 1 April 2019	-
Depreciation charge for the year	1,215
Balance at 31 March 2020	1,215
Depreciation charge for the year	1,219
Balance at 31 March 2021	**2,434**
Net book value as at 31 March 2021	**7,871**
Net book value as at 31 March 2020	8,962
Net book value as at 31 March 2019	10,177

9 Intangible assets

	Goodwill £000	Software platform £000	Brand £000	Total £000
Cost				
At 1 April 2019	1,848	9,241	564	11,653
Additions	-	2,820	-	2,820
Balance at 31 March 2020	1,848	12,061	564	14,473
Additions	-	3,186	93	3,279
Balance at 31 March 2021	**1,848**	**15,247**	**657**	**17,752**
Amortisation				
At 1 April 2019	-	3,427	399	3,826
Amortisation for the year	-	1,507	56	1,563
Balance at 31 March 2020	-	4,934	455	5,389
Amortisation for the period	-	1,912	56	1,968
Balance at 31 March 2021	**-**	**6,846**	**511**	**7,357**
Net book value as at 31 March 2021	**1,848**	**8,401**	**146**	**10,395**
Net book value as at 31 March 2020	1,848	7,127	109	9,084
Net book value as at 31 March 2019	1,848	5,814	165	7,827

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

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. This transaction is detailed in the FY17 Annual Report.

Goodwill balances are denominated in Sterling:

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Gear4music Limited	**417**	417
Software development business	**1,431**	1,431
	1,848	1,848

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 2021 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 comprise Goodwill, the Gear4music brand name, and the proprietary software platform.

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 is deemed to have a single CGU to which the goodwill, the software platform and the brand are allocated. The carrying value of these intangibles, the proportion of the freehold property occupied by Gear4music (5/6) and all other PPE was £20.4m. 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 three-year forecast to 31 March 2024 was used to provide cash-flow projections that have been discounted at a pre-tax discount rate of 10% (2020: 10%). 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:

- FY22-24 Revenue forecasts based on growth by geographical market, based on market size and estimate of opportunity, trends, and Management's experience and expectation.
- FY25-26 and into perpetuity revenue growth of 2%
- Gross margins are forecast to improve on 2020, albeit not reach the levels attained in 2021; 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 (2020: £nil). The valuation indicates significant headroom and a number of reasonable sensitivities were put through the model, including changes to the discount rate and the results did not result in an impairment of the related goodwill or other intangible assets.

10 Inventories

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Finished goods	**28,430**	22,015

The cost of inventories recognised as an expense and included in cost of sales in the period amounted to £101.5m (2020: £81.6m).

Management has included a provision of £143,000 (31 March 2020: £80,000), 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.

11 Trade and other receivables

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Trade receivables	**1,579**	1,651
Prepayments	**2,068**	850
	3,647	2,501

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 dues from schools and colleges, and funds lodged with payment providers.

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 (1.3% of 2021 revenues; 1.9% of 2020 revenues).

Funds lodged with payment providers

Funds lodged with Amazon, Digital River, Klarna and V12 Retail Finance totalled £331,000 on 31 March 2021 (31 March 2020: £215,000) and are included in Trade debtors. Credit risk in relation to cash held with financial institutions is considered very low risk, given the credit rating of these organisations.

12 Cash and cash equivalents

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Cash and cash equivalents per balance sheet and cash flow statements	**6,203**	7,839

13 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 2021 £000	Year ended 31 March 2020 £000
Non-current liabilities		
Bank loans	**2,901**	3,439
	2,901	3,439
Current liabilities		
Bank loans	**575**	9,949
	575	9,949
Total liabilities		
Bank loans	**3,476**	13,388
	3,476	13,388

As at 31 March 2021

Bank loans comprised an Import Loan facility, and term loans all provided by the Group's bankers, HSBC, secured against the by fixed and floating charges over the Group's assets.

The interest rate on 140-day import loans drawn under the Import Loan agreement was 2.45% per annum over HSBC's Sterling Base Rate, and on an overdraft if and when drawn, was 3.25% over base. Interest on import loans was paid at the maturity of the relevant loan. Interest on an overdraft would be paid monthly in arrears.

There were two term loans drawn around the time of the freehold property acquisition in 2017:

- The first loan was for £3.73m and is a five-year loan with capital repayments scheduled over 20-years, and interest is 2.04% over LIBOR, and capital outstanding of £3.03m at 31 March 2021; and
- The second loan was for £1.80m and is a five-year loan with interest of 2.85% over LIBOR, and capital outstanding of £0.45m at 31 March 2021.

All borrowings are denominated in Sterling.

From 21 April 2021

On 21 April 2021 the Group entered into a Revolving Credit facility of £35m with HSBC. This replaces the bank loans and import loan facility outlined above. The facility expires in April 2024 and is secured by a debenture over the Group's assets.

Changes in liabilities from financing activities

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Opening balance	**13,388**	12,374
Changes from financing cash flows		
Proceeds from loans and borrowings	**29**	1,565
Repayment of borrowings	**(9,948)**	(546)
Total changes from financing cash flows	**(9,919)**	1,019
Other changes		
Interest expense (note 6)	**196**	380
Interest paid	**(289)**	(355)
Movement in interest accrual (included in accruals and deferred income – note 17)	**93**	(25)
Fair value movement on loans	**7**	(5)
Total other changes	**7**	(5)
Closing balance	**3,476**	13,388

Other bank facilities

Gear4music has a number of guarantees in relation to VAT, and issues letter of credits to its suppliers. At 31 March 2021 the Group had letters of credit of £315,000 and guarantees of £415,000 in place.

14 Trade and other payables

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Current		
Trade payables	**11,390**	10,090
Accruals and deferred income	**3,033**	1,686
Deferred consideration	**24**	197
Government grants	**7**	8
Other taxation and social security	**4,484**	2,461
	18,938	14,442
Non-current		
Accruals and deferred income	**38**	99
Deferred consideration	**69**	-
Government grants	**3**	8
	110	107

Accruals at 31 March 2020 include £38,000 (2020: £97,000) relating to the estimated cash bonuses accrued relating to the CSOP schemes (see note 21).

Government grants are being spread over the useful economic life of the associated asset, and relate to Regional Growth Fund and Leeds City Enterprise Partnership grants towards the acquisition of various capital items. Grant conditions exist and are linked to job creation, and these criteria have been satisfied.

The Directors consider the carrying amount of other 'trade and other payables' to approximate their fair value. The interest expense of £10,000 (2020: £19,000) in relation to the unwinding of the discount is disclosed in note 6.

Deferred consideration

Deferred consideration as at 31 March 2020 of £197,000 related to the acquisition of a software business in January 2017 for 15 quarterly instalments of £100,000. The consideration was settled in full in 2021.

On 10 March 2021 the Group acquired the Eden brand and associated assets from Marshall Amplification plc for £140,000 of which £100,000 is deferred and payable in four equal instalments of £25,000 on the first, second, third and fourth anniversary of the completion date. These amounts are valued in the accounts at fair value and subsequently amortised.

15 Lease liabilities

The Group has leases for plant and machinery and four properties. 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	**4**	**1-8yrs**	**5.5yrs**	**-**	**-**	**1**
Plant and equipment	**10**	**0.5-2yrs**	**1yrs**	**-**	**10**	**-**

Future minimum lease payments due at 31 March 2021 were as follows:

	Within 1 year	1-5 years	More than 5 years
	£000	£000	£000
Lease payments	1,549	6,065	2,902
Finance charge	(359)	(895)	(143)
Net present value	**1,190**	**5,170**	**2,759**

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

	31 March 2021	**31 March 2020**
	£000	**£000**
Current	**1,099**	1,148
Non-current	**8,315**	9,519
Total	**9,414**	10,667

Changes in lease liabilities:

	Year ended 31 March 2021	**Year ended 31 March 2020**
	£000	**£000**
Opening balance	**10,667**	453
Adoption of IFRS16	-	10,983
Cash flow lease payments	**(1,379)**	(1,205)
Other items	**126**	436
Total changes	**(1,253)**	(769)
Closing balance	**9,414**	10,667

16 Share capital and reserves

Share capital	Year ended 31 March 2021 Number	Year ended 31 March 2020 Number
Authorised, called up and fully paid:		
Ordinary shares of 10p each	**20,950,176**	20,945,328

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.

On 29 July 2020, the Company issued and allotted 4,848 new Ordinary shares of 10p each on exercise of options under the Company's 2017 CSOP Scheme (see note 21). This took the number of Ordinary shares in issue from 20,945,328 to 20,950,176, representing dilution of 0.02%.

Share premium

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Opening	**13,152**	13,152
Issue of shares	**13**	-
Closing	**13,165**	13,152

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 2021 £'000	Year ended 31 March 2020 £'000
Opening	**(34)**	3
Translation loss	**(17)**	(37)
Closing	**(51)**	(34)

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 2021 £'000	Year ended 31 March 2020 £'000
Opening	**1,674**	1,424
Freehold property revaluation	**-**	309
Deferred tax on revaluation	**-**	(59)
Depreciation transfer	**(34)**	-
Closing	**1,640**	1,674

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

Retained earnings

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Opening	**4,722**	2,033
Share based payment charge	**64**	133
Deferred tax	**2**	(34)
Depreciation transfer	**34**	-
Profit for the year	**12,641**	2,590
Closing	**17,463**	4,722

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

17 Related parties

Transactions with key management personnel

The compensation of key management personnel is as follows:

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Key management emoluments including social security costs	**597**	474
Company contributions to money purchase pension plans	**18**	15
	615	489

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

Four directors are accruing retirement benefits under a money purchase scheme (2020: 4).

Share based payments

CSOP and Director Cash Plan – lapsed in year ended 31 March 2021

In July 2020 CSOP awards of 2,288 shares to Gareth Bevan, 2,288 shares to Chris Scott, and an equivalent discretionary cash bonus plan for Andrew Wass lapsed as the vesting conditions were not met.

LTIP – amended in financial year ended 31 March 2021

In October 2020 the scheme was amended to re-base the share price hurdles to ensure that the LTIP continued to provide appropriate incentivisation. The subscription cost was covered by way of bonus in FY21 and Andrew Wass, Chris Scott, and Gareth Bevan received bonuses of £2,334, £2,334 and £2,490 respectively.

18 Post balance sheet events

New Banking facilities

On 21 April 2021 the Group entered into a Revolving Credit facility of £35m with HSBC. This replaces the bank loans and import loan facility outlined above. The facility expires in April 2024 and is secured by a debenture over the Group's assets.

Brand acquisition

On 21 June 2021 the Group completed the acquisition of the 'Premier' drum and percussion brand, business and certain assets from Premier Music International Limited and High House 123 Limited liability partnership, for £1.685m.

Fair values of the assets and liabilities acquired, intangible assets recognised and the associated goodwill arising from the acquisition are still under review as the accounting for the business combination is ongoing at the point of signing these financial statements. The information required to be disclosed under IFRS 3 will be included in the 2022 Financial statements.