20 June 2023

Gear4music (Holdings) plc
Audited results for the year ended 31 March 2023
"Laying the foundation for long-term success"

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 2023.

FY23 Highlights (1)**:**

£m	Year ended 31 March 2023 ("FY23")	Year ended 31 March 2022 ("FY22")	Year ended 31 March 2020 ("FY20")	Change on FY22	Change on FY20
Revenue	152.0	147.6	120.3	+3%	+26%
Gross profit	39.0	41.1	31.2	-5%	+25%
Gross margin	25.7%	27.9%	25.9%	-220bps	-20bps
EBITDA	7.4	11.2	7.8	-34%	-5%
(LBT)/PBT	(0.4)	5.0	3.1	(5.4m)	(3.5m)

- FY23 revenues were 3% ahead of FY22 in a difficult consumer environment, and 26% ahead of FY20
- Gross margin of 25.7% reflects a significant reduction in inventory through a challenging period for discretionary retail
- Reported EBITDA of £7.4m is 34% below FY22 and 5% below FY20
- Net debt at year end of £14.5m reduced from £24.2m at 31 March 2022
- Committed borrowing facility renewed with HSBC at £30m for a further 3 years
- Active customers of 0.81m is 6% behind FY22 and 7% ahead of FY20
- Conversion decreased to 4.0% from 4.1% in FY22, and 70bps ahead of 3.3% in FY20

(1) *FY20 shown for comparison as FY21 was exceptional due to the positive impact of Covid lockdowns.*

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

"I am pleased to be reporting FY23 full year results that are in line with guidance provided in April, with the business generating revenues of £152m and EBITDA of £7.4m.

Throughout what has been a challenging year, we continued to make good progress in building the technical and operational infrastructure required for our long-term success as the UKs leading retailer of musical instruments and equipment. A particular recent highlight has been the launch of our second-hand system, which whilst still in 'soft launch' stage, has traded over 1,000 products within the first three months.

We have continued to make good progress in reducing our bank debt and to provide certainty and headroom for the medium term, we have renewed our committed borrowing facility with HSBC at £30m for a further three-years.

Market conditions have continued to be challenging since our last update in April, and we are taking the appropriate and necessary actions to ensure our business is correctly configured, resourced and positioned strategically for long term success. To ensure the Group can return to profitability during FY24 H2, we will focus on product margins, efficiency and overhead cost reduction ahead of revenue growth, whilst we continue to develop new growth initiatives for the longer term."

ENDS

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About Gear4music (Holdings) plc

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

Chairman's Statement

The year ended 31 March 2023 was a difficult period for many retailers, with high levels of inflation and increasing interest rates impacting consumer confidence and disposable income. Whilst our drive for long-term growth remains unchanged, in response to these macro-economic challenges our focus has been on debt reduction and disciplined cost-management to provide the platform for the Group to return to profitable growth.

Operational and Commercial progress

Whilst the last 12 months have been challenging, the Group has increased its addressable market, and refocused on operational efficiency and the customer journey. Taking a longer term view the Group has made significant progress and we believe we are well positioned to deliver our long-term profitable growth ambitions. Since FY20, the Group has:

- increased revenue by 26% to £152m led by a 70bps increase in conversion and 7% increase in active customers;
- added three new distribution centres including operations in Spain and Ireland to further enhance our localised customer proposition in mainland Europe, creating an operational infrastructure capable of delivering revenue in excess of £250m;
- extended our target addressable market through strategic acquisitions in the AV-market, in particular, through the purchase of AV.com, opening up an estimated additional addressable market of £2.7bn;
- leveraged our significant software development capability to deliver several growth and efficiency focused projects, including various Brexit mitigations, the launch of AV.com and most recently the launch of our second-hand platform; and
- navigated periods of worldwide supply chain disruption, cost price inflation, and weakening consumer confidence, underlining the Group's resilience.

Having successfully reduced net debt by £9.7m to £14.5m at 31 March 2023, since the year-end the Group has renewed its committed Revolving Capital Facility ('RCF') at £30m for a further three-year period, enabling the Group to plan into the medium term with certainty and take advantage of opportunities as and when they arise.

Environmental, Social and Governance

As a business and Board, 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 positive impacts that the business has and what we are doing to improve outcomes. We will report under TCFD in the financial year ending 31 March 2024.

The launch of our second-hand platform in March 2023 is our timely advancement into recycling and the circular economy, offering customers the opportunity to sell their pre-loved musical instruments and equipment quickly and easily.

Outlook

Customer demand across our markets remains volatile and difficult to predict, reflecting the continuing impact of geo-political and macro-economic uncertainties affecting consumer confidence across Europe. Nevertheless, having delivered several development-led growth initiatives in FY23 and markedly reduced net debt, the Board is confident that the Group's customer proposition, enhanced operational infrastructure and balance sheet will enable the Group to achieve its long-term business objectives, namely taking market share and delivering operational efficiencies providing the platform for profitable growth.

Ken Ford
Chairman
19 June 2023

Chief Executive's Statement

Financial KPIs

	FY23	FY22	FY20	**Change on FY22**	Change on FY20
Revenue *	**£152.0m**	£147.6m	£120.3m	**+3%**	+26%
UK Revenue *	**£82.1m**	£82.6m	£61.8m	**-1%**	+33%
International Revenue *	**£70.0m**	£65.0m	£58.5m	**+8%**	+20%
Gross margin	**25.7%**	27.9%	25.9%	**-220bps**	-20bps
Gross profit	**£39.0m**	£41.1m	£31.2m	**-5%**	+25%
Total Admin expenses *	**£38.7m**	£35.9m	£27.7m	**+8%**	+40%
European Admin expenses *	**£5.0m**	£4.6m	£2.5m	**+9%**	+100%
EBITDA	**£7.4m**	£11.2m	£7.8m	**-34%**	-5%
(Loss)/profit before tax	**(£0.4m)**	£5.0m	£3.1m	**(£5.4m)**	(£3.5m)
Net debt **	**(£14.5m)**	(£24.2m)	(£5.5m)	**£9.7m**	(£9.0m)

* See note 2 of the Financial Information

** See notes 13 and 14 of the Financial Information

Commercial KPIs

	FY23	FY22	FY20	**Change on FY22**	Change on FY20
Website visitors	**26.5m**	28.8m	28.4m	**-8%**	-7%
Conversion rate	**3.95%**	4.06%	3.29%	**-11bps**	+66bps
Average order value	**£150**	£125	£117	**+20%**	+28%
Active customers	**865,000**	921,000	807,000	**-6%**	+7%
Products listed	**64,200**	62,400	54,200	**+3%**	+18%

Note: Change on FY20, three years ago, compares current trading to the pre-pandemic period to give a better understanding of performance when compared to the growth and characteristics of trade which continued to be distorted by pandemic-related factors in FY22.

Business review

During FY23 we made good progress with our long-term objective of making musical instruments and equipment accessible and affordable for as many people as possible, delivering a wide range of customer centric improvements throughout the business.

Progress has included improving our consumer finance proposition, upgrading our digital downloads sales platform, launching AV.com in Europe, alongside what has been our largest and most ambitious development project to date - our second-hand system.

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.

These new growth initiatives will strengthen our position as the UK's leading retailer of musical instruments and equipment. However, due to the current environment of squeezed discretionary consumer spending, FY23 proved to be a commercially challenging year for Gear4music and across the industry.

Reducing our net debt and inventory level has been a priority, and achieving these objectives in challenging market conditions is testament to the tenacity of our teams, whilst still generating revenue growth and limiting the impact on margin.

Strategy

Whilst FY23 was a period of rapid unwinding of inventory, our focus for FY24 will be to improve efficiency and product margins.

We intend to leverage our operational infrastructure to launch our second-hand system across Europe, increasing the number of markets we trade in, expanding the products available and launching the system on AV.com later in the year.

In addition to the second-hand system, we have a wide range of further initiatives planned to support product margins, including significant own-brand product launches, licencing agreements and system improvements.

Whilst we continue to develop and launch longer term growth initiatives, our short-term focus will be on overhead cost reduction, efficiency, and improving productivity by adopting the latest technologies. Further net debt reduction will be targeted by optimising inventory, reducing development costs and limiting capital expenditure, as we diversify our sales and fulfilment channels.

Outlook

Anticipating the persistence of challenging market conditions throughout FY24, we continue to take proactive measures to ensure the business is well configured to withstand further economic headwinds and remain well positioned for the future.

With a new three-year banking facility agreed, we are confident in our strategic vision, making the most of recent acquisitions and new initiatives, alongside an emphasis on optimising inventory, product margins, and implementing efficiency and cost reduction strategies.

As consumer confidence returns in the UK and mainland Europe, we look forward to capitalising on the opportunities in our markets, serving our customers and continuing our journey of long-term profitable growth.

Andrew Wass
Chief Executive Officer
19 June 2023

Chief Financial Officer's statement

Overview

The financial year ended 31 March 2023 was a difficult period for many retailers of discretionary products, and against a backdrop of cost-led inflation and increasing interest rates it was important we delivered on our stated ambition of bringing down our net debt and taking a disciplined approach to cost management. Until the macro-economic climate and consumer confidence show sustained signs of recovery, cost control will continue to be a priority through FY24.

FY23 profitability was impacted by our active reduction in stock levels during a period of weak demand contributing to a lower than planned gross margin, and by cost-base inflation across marketing, labour and energy. Relative to FY20, the last normal trading period unaffected by the pandemic, our results show good revenue growth at a comparable gross margin, but lower operating profits and profitability reflecting the increased size and scale of the business reinforced by the aforementioned inflationary factors.

Since the year-end we have renewed our banking facilities with HSBC to provide a £30m committed facility to 2026, giving us certainty and confidence to plan into the medium term.

Revenue

	FY23	FY22	FY20
	£m	£m	£m
UK revenue	**82.0**	82.6	61.8
International revenue	**70.0**	65.0	58.5
Revenue	**152.0**	147.6	120.3

Revenue increased £4.4m (3%) on FY22 and £31.7m (26%) relative to a more normal trading period in FY20, equating to compound growth of 8.1% per annum.

UK revenue of £82.0m was £0.6m (1%) behind FY22 and £20.2m (33%) ahead of FY20, reflecting cost-of-living challenges impacting sales of discretionary products. This takes our estimated UK market share to 9.1% (FY22: 9.2%; FY20: 7.2%).

International revenues of £70.0m were £5.0m (8%) ahead of FY22 and £11.5m (20%) higher than FY20 reflecting the distribution centres we opened in Ireland and Spain last year becoming increasingly well-established and offering an improved localised customer proposition in those and adjacent markets.

Revenues from sales outside of Europe accounted for 2.0% of total revenue in FY23 compared to 1.4% in FY22 and 1.3% in FY20.

	FY23	FY22	FY20
	£m	£m	£m
Other-brand product revenue	**106.2**	102.5	79.4
Own-brand product revenue	**38.9**	38.1	35.4
Carriage income	**6.2**	6.3	4.9
Other	**0.7**	0.7	0.6
Revenue	**152.0**	147.6	120.3

Own-brand revenue of £38.9m was up £0.8m (2%) on FY22 and £3.5m (10%) on FY20, and accounted for 25.6% of total revenue from 8% of total SKUs, which is a lower proportion than has historically been the case (FY20: 29.4%). This is in part due to a post-Covid slow-down in demand for entry-level products, and secondly due to increased competition from Far East manufacturers selling direct into Europe through Amazon. We have responded by increasing own-brand SKU count from 4,200 to 4,900 including revamped entry level and premium ranges, and the expansion of Premier branded-products.

Other brand revenue was £3.7m (4%) ahead of FY22 and £26.8m (34%) ahead of FY20.

Carriage income was broadly flat on FY22 and £1.3m ahead of FY20, representing 4.1%, 4.3% and 4.1% of sales in FY23, FY22 and FY20 respectively, reflecting the Group offering more localised, cheaper delivery options and less cross UK-EU border shipments in FY23 and FY22 than was possible in FY20.

Other revenue comprises paid for extended warranty income, 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 FY23, FY22 and FY20.

Gross profit

	FY23	FY22	FY20
Product sales (£m)	**145.1**	140.6	114.8
Product profit (£m)	**43.6**	45.2	35.1
Product margin	**30.0%**	32.1%	30.5%
Carriage costs (£m)	**10.5**	10.3	8.8
Carriage costs as % of sales	**6.9%**	7.0%	7.3%
Gross profit (£m)	**39.0**	41.1	31.2
Gross margin	**25.7%**	27.9%	25.9%

In FY22 we built-up a high level of stock for precautionary and opportunistic reasons. In FY23 with a return to reliable supply, higher interest rates and against a backdrop of weaker customer demand, our focused moved to reducing stock to a more appropriate level through resetting re-ordering levels and involved targeted price reductions. These factors contributed to a 210bps decrease in product margin to 30.0%.

In a similar vein to FY22, product margin in FY23 was impacted by sales mix with relatively lower sales of higher margin own-brand products (26% of total sales) than has historically been the case (FY20: 29%).

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 £1.3m is £4.8m below FY22 and £2.8m below FY20, reflecting a low gross margin and a larger cost base reflecting the size and scale of the business.

	FY23	FY22	FY20
	£m	£m	£m
UK Administrative expenses	**(33.7)**	(31.3)	(25.2)
European Administrative expenses	**(5.0)**	(4.6)	(2.5)
Total Administrative expenses	**(38.7)**	(35.9)	(27.7)
Other income	**0.9**	0.8	0.6
Operating profit	**1.3**	6.1	4.1
Depreciation and amortisation	**6.1**	5.1	3.7
EBITDA	**7.4**	11.2	7.8

Total administrative expenses increased by £2.8m (8%) on FY22 relative to a revenue increase of 3%, including a £1.3m (10%) increase in labour costs, £0.9m (18%) increase in depreciation and amortisation, and a £0.5m (24%) increase in card processing costs.

Admin expenses have increased from 23.0% of sales in FY20 and 24.3% in FY22, to 25.5% in FY23.

Combined marketing and labour costs of £25.0m (FY22: £23.9m) accounted for 65% of total administrative expenses (FY22: 67%):

- Marketing expenditure decreased in FY23 to £10.6m (FY22: £10.8m) equating to 7.0% of revenue compared to 7.3% last year and 7.7% in FY20, as the business targeted a higher return on investment; and
- Labour costs increased 10% in FY23 to £14.4m (FY22: £13.1m) reflecting a 3% increase in average headcount. Labour costs accounted for 9.5% of revenue (FY22: 8.9%).

FY23 EBITDA of £7.4m was £3.8m lower than FY22 and £0.4m lower than FY20.

Other expenses and net profit

Financial expenses of £1.7m (FY22: £1.1m) include £1.1m bank interest (FY22: £0.5m) reflecting higher interest rates, £0.4m of IFRS16 lease interest (FY22: £0.4m), and a £0.2m net foreign exchange loss (FY22: £0.1m loss).

The Group reports a small loss before tax of £0.4m (FY22: profit before tax of £5.0m) that after tax translates into a basic and diluted loss per share of 3.1p (FY22: 17.8p basic profit per share; 17.3p diluted profit per share).

Cash-flow

	FY23	FY22	FY20
	£m	£m	£m
Opening cash	**3.9**	6.2	5.3
(Loss)/profit for the year	**(0.6)**	3.7	2.6
Movement in working capital	**13.0**	(16.2)	(0.9)
Depreciation and amortisation	**6.0**	5.1	3.7
Financial expense	**1.7**	1.1	1.0
Tax and Other operating adjustments	**(0.4)**	(1.3)	1.0
Net cash from/(used in) operating activities:	**19.7**	(7.6)	7.4
Net cash used in investing activities:	**(6.7)**	(16.5)	(3.9)
Net cash (used in)/from financing activities:	**(12.4)**	21.8	(1.0)
Increase/(decrease) in cash in the year	**0.6**	(2.3)	2.5
Closing cash	**4.5**	3.9	7.8

Post year-end 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 indebtedness decreased by £9.7m to £14.5m (40%) largely down to the deliberate and planned £11.1m reduction in stock. Net debt of £24.2m at 31 March 2022 was a peak year-end figure reflecting an £11.4m investment in acquisitions in FY22, and a £17.1m investment in stock that was largely unwound in FY23.

Reported net cash outflow in investing activities of £6.7m includes £5.3m of capitalised software development costs (FY22: £4.4m) and £1.0m property, plant and equipment additions (FY22: £1.8m). Depreciation and amortisation of £4.4m (FY22: £3.7m) is added back in 'net cash from operating activities' with respect to these asset categories.

Net cash outflow from financing activities of £12.4m (FY22: £21.8m inflow) represents a £9.0m lower RCF drawdown (FY22: £24.6m net inflow), £1.7m payment of lease liabilities (FY22: £1.9m), and £1.7m interest paid (FY22: £0.9m).

Balance sheet

	31 March 2023	31 March 2022	31 March 2020
	£m	£m	£m
Property, plant and equipment	**11.9**	13.0	11.2
Right-of-use assets	**7.3**	8.2	9.0
Software platform	**12.8**	10.5	7.1
Goodwill	**5.3**	5.3	1.8
Other intangible assets	**3.9**	4.0	0.2
Total non-current assets	**41.2**	41.0	29.3
Stock	**34.4**	45.5	22.0
Cash	**4.5**	3.9	7.8
Other current assets	**4.5**	3.9	2.5
Total current assets	**43.4**	53.3	32.3
Trade payables	**(9.3)**	(9.5)	(10.1)
Loans and Borrowings	**-**	-	(10.0)
Lease liabilities	**(1.1)**	(1.2)	(1.1)
Other current liabilities	**(8.4)**	(6.7)	(4.3)
Total current liabilities	**(18.8)**	(17.4)	(25.5)
Loans and Borrowings	**(19.0)**	(28.0)	(3.4)
Lease liabilities	**(7.5)**	(8.5)	(9.5)
Other non-current liabilities	**(2.1)**	(2.3)	(1.6)
Total non-current liabilities	**(28.6)**	(38.8)	(14.5)
Net assets	**37.2**	38.0	21.6

Capital expenditure on property, plant and equipment totalled £1.0m spread across all eight sites.

The Group capitalised £5.3m (FY22: £4.4m) of software development costs relating to our bespoke e-commerce platform, including projects linked to AV.com, third-party fulfilment, and the launch of our second-hand platform. Platform amortisation in the year was £3.0m (FY22: £2.3m) taking net book value to £12.8m (31 March 2022: £10.5m).

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

Stock of £34.4m is £11.1m (24%) lower than at 31 March 2022 reflecting planned reductions. The Board considers this to be a good level to take into FY24, providing breadth and depth across categories across our distribution centres.

The Group carried net debt of £14.5m at the year-end (31 March 2022 net debt: £24.2m), having reduced stock by £11.1m (24%) over FY23.

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.

On behalf of the Board
Chris Scott Chief Financial Officer 19 June 2023

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Note	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Revenue		**152,039**	147,630
Cost of sales		**(112,996)**	(106,500)
Gross profit		**39,043**	41,130
Administrative expenses	*3,4*	**(38,705)**	(35,881)
Other income	*3*	**949**	820
Operating profit		**1,287**	6,069
Financial expenses	*6*	**(1,694)**	(1,055)
(Loss)/profit before tax		**(407)**	5,014
Taxation	*7*	**(237)**	(1,291)
(Loss)/profit for the year		**(644)**	3,723
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	*8*	**(550)**	-
Deferred tax movements		**147**	(109)
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**-**	(23)
Total comprehensive (loss)/income for the year		**(1,047)**	3,591
Basic (loss)/profit per share	*5*	**(3.1p)**	17.8p
Diluted (loss)/profit per share	*5*	**(3.1p)**	17.3p

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

Consolidated Statement of Financial Position

	Note	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Non-current assets			
Property Plant and Equipment	*8*	**11,934**	12,958
Right-of-use assets	*9*	**7,288**	8,235
Intangible assets	*10*	**22,049**	19,812
		41,271	41,005
Current assets			
Inventories	*11*	**34,381**	45,516
Trade and other receivables	*12*	**3,434**	3,409
Corporation tax receivable		**1,066**	432
Cash and cash equivalents	*13*	**4,460**	3,903
		43,341	53,260
Total assets		**84,612**	94,265
Current liabilities			
Trade and other payables	*15*	**(17,647)**	(16,183)
Lease liabilities	*16*	**(1,130)**	(1,229)
		(18,777)	(17,412)
Non-current liabilities			
Interest-bearing loans and borrowings	*14*	**(19,000)**	(28,000)
Other payables	*15*	**(83)**	(64)
Lease liabilities	*16*	**(7,470)**	(8,455)
Deferred tax liability		**(2,048)**	(2,298)
		(28,601)	(38,817)
Total liabilities		**(47,378)**	(56,229)
Net assets		**37,234**	38,036
Equity			
Share capital	*17*	**2,098**	2,098
Share premium	*17*	**13,286**	13,286
Foreign currency translation reserve	*17*	**(74)**	(74)

	Note	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Revaluation reserve	*17*	**1,203**	1,606
Retained earnings	*17*	**20,721**	21,120
Total equity		**37,234**	38,036

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

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 2021	**2,095**	**13,165**	**(51)**	**1,640**	**17,463**	**34,312**
Comprehensive income for the year						
Profit for the year	-	-	-	-	3,723	**3,723**
Other comprehensive income	-	-	(23)	-	(109)	**(132)**
Deferred tax adjustment	-	-	-	-	(46)	**(46)**
Share based payments charge	-	-	-	-	55	**55**
Depreciation transfer	-	-	-	(34)	34	**-**
Total comprehensive income for the year	**-**	**-**	**(23)**	**(34)**	**3,657**	**3,600**
Transactions with owners						
Issue of shares	3	121	-	-	-	**124**
Total transactions with owners	**3**	**121**	**-**	**-**	**-**	**124**
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)**
Other comprehensive income	-	-	-	-	-	**-**
Freehold property revaluation	-	-	-	(550)	-	**(550)**
Deferred tax impact of revaluation	-	-	-	147	-	**147**
Share based payments charge	-	-	-	-	245	**245**
Total comprehensive loss for the year	**-**	**-**	**-**	**(403)**	**(399)**	**(802)**
Transactions with owners						
Issue of shares	-	-	-	-	-	**-**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 March 2023	**2,098**	**13,286**	**(74)**	**1,203**	**20,721**	**37,234**

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

Consolidated Statement of Cash Flows

	Note	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Cash flows from operating activities			
(Loss)/profit for the year		**(644)**	3,723
Adjustments for:			
Depreciation and amortisation	*3*	**6,081**	5,138
Financial expenses	*6*	**1,694**	1,055
Loss/(profit) on sale of property, plant and equipment		**17**	(12)
Share based payment charge		**282**	55
Taxation	*7*	**(208)**	1,243
		7,222	11,202
(Increase)/decrease in trade and other receivables	*12*	**14**	302
Decrease/(increase) in inventories	*11*	**11,135**	(14,195)
Increase/(decrease) in trade and other payables	*15*	**1,865**	(2,187)
		20,236	(4,878)
Tax paid	*7*	**(530)**	(2,709)
Net cash from operating activities		**19,706**	(7,587)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**31**	95
Acquisition of property, plant and equipment	*8*	**(989)**	(1,773)
Capitalised development expenditure	*10*	**(5,319)**	(4,439)
Acquisition of a business, net of cash acquired	*10*	**-**	(7,360)
Business combinations: Deferred consideration	*10*	**(419)**	-
Acquisition of domains	*10*	**(8)**	(3,023)
Net cash from investing activities		**(6,704)**	(16,500)
Cash flows from financing activities			
Cash from share issue		**-**	124
Proceeds from new borrowings	*14*	**-**	28,000
Interest paid		**(1,694)**	(917)
Repayment of borrowings	*14*	**(9,000)**	(3,445)
Payment of lease liabilities	*16*	**(1,713)**	(1,952)

	Note	**Year ended 31 March 2023 £000**	Year ended 31 March 2022 £000
Net cash from financing activities		**(12,407)**	21,810
Net increase/(decrease) in cash and cash equivalents		**595**	(2,277)
Cash at beginning of year		**3,903**	6,203
Foreign exchange movement		**(38)**	(23)
Cash at end of year	*13*	**4,460**	3,903

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

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), Cagney Limited (dormant subsidiary; company number: 04493300), and AV Distribution Ltd (dormant subsidiary; company number: 05385699) 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. The Group has one dormant European subsidiary, Gear4music Norway AS. All five are 100% subsidiaries of Gear4music 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 UK-adopted International Accounting Standards, 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 2022 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 2023 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 2022 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.

Accounting period

The financial statements presented cover the years ended 31 March 2023 and 31 March 2022.

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.

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

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 2023, and the impact was not material:

- Amendments to IFRS 3: Business Combinations
- Amendments to IAS 16: Property, Plant and Equipment
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets

1.3 Going concern presumption for the period to 30 June 2024

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 FY22 the Group secured a £35m three-year committed Revolving Credit Facility ('RCF') with its bankers, HSBC, to make acquisitions and invest in stock for precautionary reasons during a period of potential supply chain disruption, and early in a period of inflationary cost price increases.

As supply chain pressures eased in FY23, the Group focused on reducing its investment in stock, thereby significantly reducing its net debt by £9.7m to £14.5m at 31 March 2023. On 16 June 2023, and well ahead of the 21 June 2024 renewal date, 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.

The Group has conducted reverse stress tests where revenue was assumed to decrease 21% on a six-month basis and 13% 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 2024 based on its offering in the UK and improved proposition in 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 2023 the Group had net debt of £14.5m (31 March 2022: £24.2m), with £4.5m cash (31 March 2022: £3.9m 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.

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 2023 £000	**Year ended 31 March 2022 £000**
UK	**82,084**	82,639
Europe	**66,967**	62,843
Rest of the World	**2,988**	2,148
	152,039	147,630

Administrative expenses by Geography

	Year ended 31 March 2023 £000	**Year ended 31 March 2022 £000**
UK	**33,678**	31,253
Europe	**5,027**	4,628
	38,705	35,881

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 2023: £3.5m; 31 March 2022: £4.0m), Germany (31 March 2023: £2.3m; 31 March 2022: £2.2m), Ireland (31 March 2023: £0.6m; 31 March 2022: £0.7m) and Spain (31 March 2023: £1.5m; 31 March 2022: £1.7m).

Revenue by Product category

	Year ended 31 March 2023 £000	**Year ended 31 March 2022 £000**
Other-brand products	**106,189**	102,473
Own-brand products	**38,860**	38,121
Carriage income	**6,187**	6,266
Warranty income	**452**	483
Other	**351**	287
	152,039	147,630

3 Expenses and other income

Included in profit/loss are the following:

	Year ended 31 March 2023 £000	**Year ended 31 March 2022 £000**
Expenses		
Rentals – short-term rentals of plant & machinery	**41**	21
Equity-settled share-based payment charges	**208**	55
Depreciation of property, plant and equipment	**1,414**	1,254
Depreciation of right-of-use assets	**1,577**	1,466
Amortisation of Intangible assets	**3,090**	2,385
Amortisation of government grants	**3**	7
Loss/(profit) on disposal of property, plant and equipment	**17**	(12)
R&D expenditure recognised as an expense	**280**	230
Auditor remuneration – audit of these financial statements	**65**	65
Auditor remuneration – this year's audit of financial statements of subsidiaries	**74**	74
Auditor remuneration – non-audit fees – Other audit related services	**5**	5

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Other income		
RDEC tax credits	**445**	365
Rental income	**239**	247
Other	**265**	208
	949	820

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

4 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 2023 Nos.	Year ended 31 March 2022 Nos.
Administration	**255**	242
Selling and Distribution	**318**	316
	573	558

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Wages and salaries	**11,840**	10,982
Social security costs	**1,474**	1,236
Contributions to defined contribution plans	**1,111**	928
	14,425	13,146

Wages and salaries, social security costs, and staff pension costs of £5,205,000 (2022: £4,400,000) relating to software developers are capitalised and not included in the figures above.

Directors' remuneration

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Directors' emoluments	**717**	680

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 £232,000 during the year (2022: £229,000), including company pension contributions of £9,000 (2022: £8,000) that were made to a money purchase scheme on their behalf.

There are five directors (2022: five) for whom retirement benefits are accruing under a money purchase pension scheme.

On 3 August 2021 and further to confirmation all performance conditions relating to the conditional share awards granted under the Long-Term Incentive Plan were fully met, Gareth Bevan received 6,825 shares, Chris Scott received 5,850 shares, and Andrew Wass received a £55,575 cash equivalent.

5 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. In FY23 the diluted loss per share has been restricted to the basic loss per share to prevent having an anti-dilutive effect.

	Year ended 31 March 2023	Year ended 31 March 2022
(Loss)/profit attributable to equity shareholders of the parent (£'000)	**(644)**	3,723
Basic weighted average number of shares	**20,976,938**	20,967,831
Dilutive potential ordinary shares	**549,269**	570,440
Diluted weighted average number of shares	**21,526,207**	21,538,271
Basic (loss)/profit per share	**(3.1p)**	17.8p
Diluted (loss)/profit per share	**(3.1p)**	17.3p

6 Finance expenses

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Bank interest	**1,127**	524
IFRS16 lease interest	**375**	403
Net foreign exchange loss	**190**	97
Unwinding of discount on deferred consideration	**2**	31
Total finance expense	**1,694**	1,055

7 Taxation

Recognised in the income statement

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Current tax expense		
UK Corporation tax	**-**	574
Overseas Corporation tax	**66**	55
Adjustments for prior periods	**277**	7
Current tax expense	**342**	636
Deferred tax expense		
Origination and reversal of temporary differences	**(79)**	326
Deferred tax rate change impact	**-**	345
Adjustments for prior periods	**(26)**	(16)
Deferred tax expense	**(105)**	655
Total tax expense	**237**	1,291

The corporation tax rate applicable to the company was 19% for the year ended 31 March 2023, and 19% for the period ended 31 March 2022. 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. The deferred tax assets and liabilities at 31 March 2023 have been calculated based on that rate.

Reconciliation of effective tax rate

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
(Loss)/profit for the year	**(644)**	3,723
Total tax charge	**237**	1,291
(Loss)/profit before taxation	**(407)**	5,014
Current tax at 19% (*2022: 19.0%)*		
Tax using the UK corporation tax rate for the relevant period:	**(61)**	943
Non-deductible expenses	**120**	(73)
Deferred tax rate change impact	**-**	345
Adjustments relating to prior year – deferred tax	**36**	(16)
Adjustments relating to prior year – current tax	**214**	7
Impact of overseas tax rate	**1**	2
Deferred tax assets not recognised	**1**	1
R&D credit	**(11)**	12
Difference between current and deferred tax rates	**(19)**	100
Impact of capital allowances super deduction	**(44)**	(31)
Total tax charge	**237**	1,291

8 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 2021	1,847	5,699	30	1,094	7,500	16,170
Additions	460	1,101	-	212	-	1,773
Additions through business combinations	29	13	68	6	1,251	1,367
Disposals	(61)	(14)	(30)	-	-	(105)
Balance at 31 March 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**
Depreciation and impairment						
At 1 April 2021	1,222	2,820	19	769	150	4,980
Depreciation charge for the year	326	625	15	166	155	1,287
Disposals	(13)	(9)	-	-	-	(22)
Balance at 31 March 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**
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
Net book value as at 31 March 2021	625	2,879	11	325	7,350	11,190

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 compared to a book value at 31 March 2023 of £7.05m, and market value at 31 March 2020 of £7.5m.

If the property had not been revalued the net book value would have been £5.0m.

Freehold property valuation – Bacup distribution centre

On 1 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 2023 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.

9 Right-of-use assets

Leasehold properties

The Group has six leased properties comprising Distribution Centres and Showrooms in York, Sweden and Germany, Distribution Centres in Ireland and Spain, and a software development office in Manchester.

In September 2022 the Group vacated the previous software development office and moved into a smaller office on flexible terms.

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

	Short leasehold properties £000
Cost	
At 1 April 2021	10,305
Additions	1,830
Balance at 31 March 2022	12,135
Modifications	567
Additions	63
Balance at 31 March 2023	**12,765**

Depreciation

At 1 April 2021	2,434
Depreciation charge for the year	1,466
Balance at 31 March 2022	3,900
Depreciation charge for the year	1,577
Balance at 31 March 2023	**5,477**
Net book value as at 31 March 2023	**7,288**
Net book value as at 31 March 2022	8,235
Net book value as at 31 March 2021	7,871

10 Intangible assets

FY23 Software platform additions comprise £5,205,000 of internally developed additions being 95% of software developer wages and salaries, £87,000 of capitalised interest, and £27,000 of software licences for tools used in development.

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

	Goodwill £000	Software platform £000	Brand £000	Domains £000	Other Intangibles £000	Total £000
Cost						
At 1 April 2021	1,848	15,247	657	-	-	17,752
Additions	-	4,439	-	3,023	-	7,462
Additions through business combinations	3,476	-	715	-	149	4,340
Balance at 31 March 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**
Amortisation						
At 1 April 2021	-	6,846	511	-	-	7,357
Amortisation for the year	-	2,321	52	-	12	2,385
Balance at 31 March 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**
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
Net book value as at 31 March 2021	1,848	8,401	146	-	-	10,395

Other intangibles

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

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 entire share capital of AV Distribution Ltd trading as 'AV Online', 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 2023 £000	**Year ended 31 March 2022 £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 2023 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 2023 and concluded it has a single CGU to which all intangibles are allocated. The carrying value of these intangibles, the Bacup freehold, the right-of-use assets, and all other PPE was £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 2025 was used to provide cash-flow projections that have been discounted at a pre-tax discount rate of 13.22% (2022: 9.55%). 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:

- FY24-26 annual forecast revenue growth of 7% based on growth by geographical market, based on market size and estimate of opportunity, trends, and Management's experience and expectation.

- FY27-28 and into perpetuity revenue growth of 2%;
- Gross margins are forecast to improve on FY23; 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 (2022: £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.

11 Inventories

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Finished goods	**34,381**	45,516

The cost of inventories recognised as an expense and included in cost of sales in the period amounted to £102.6m (2022: £96.9m).

Management has included a provision of £50,000 (31 March 2022: £55,000), 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.

12 Trade and other receivables

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Trade receivables	**1,243**	1,772
Social security and other taxes	**260**	122
Prepayments	**1,931**	1,515
	3,434	3,409

Corporation tax asset of £1,066,000 (31 March 2022: £432,000) 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 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 (2.9% of 2023 revenues; 2.4% of 2022 revenues).

Funds lodged with payment providers

Funds lodged with Amazon, Digital River, Klarna and V12 Retail Finance totalled £581,000 on 31 March 2023 (31 March 2022: £378,000) 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.

13 Cash and cash equivalents

	Year ended 31 March 2023 £000	**Year ended 31 March 2022 £000**
Cash and cash equivalents	**4,460**	3,903

Cash-in-transit to the Group at 31 March 2023 was £354,000 (31 March 2022: £336,000) and is included above, representing uncleared lodgements where money providers have notified transfers pre-year-end.

14 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 2023 £000	**Year ended 31 March 2022 £000**
Non-current and Total liabilities		
Bank loans	**19,000**	28,000
	19,000	28,000

Revolving Credit Facility

At 31 March 2023 bank loans were drawn loans under the Group's three-year £35m Revolving Credit Facility ('RCF') with HSBC. This facility was due to expire in April 2024 and is secured by a debenture over the Group's assets.

On 15 June 2023 the Group renewed its banking facilities entering into a three year £30m 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 2023 £000	Year ended 31 March 2022 £000
Opening balance	**28,000**	3,476
Changes from financing cash flows		
Proceeds from loans and borrowings	**-**	28,000
Repayment of borrowings	**(9,000)**	(3,507)
Total changes from financing cash flows	**(9,000)**	24,493
Other changes		
Interest expense (note 7)	**1,127**	524
Interest paid	**(1,080)**	(413)
Movement in interest accrual (included in accruals and deferred income – note 18)	**(49)**	(111)
Fair value movement on loans	**2**	31
Total other changes	**-**	31
Closing balance	**19,000**	28,000

Other bank facilities

Gear4music has a number of guarantees in relation to VAT, and issues letter of credits to its suppliers. At 31 March 2023 the Group had guarantees of £654,000 in place (31 March 2022: £1,011,000) and letters of credit of £63,000 (31 March 2022: £317,000).

15 Trade and other payables

	Year ended	**Year ended**

	31 March 2023 £000	31 March 2022 £000
Current		
Trade payables	**9,300**	9,472
Accruals and deferred income	**5,099**	3,164
Deferred consideration	**23**	424
Government grants	**-**	3
Other taxation and social security	**3,225**	3,119
	17,647	16,182
Non-current		
Accruals and deferred income	**61**	25
Deferred consideration	**22**	39
	83	64

Year-end accruals and deferred income included:

- £1,907,000 (31 March 2022: £710,000) relating to customer prepayments; and
- £61,000 (31 March 2022: £24,000) relating to the estimated cash bonuses accrued relating to the CSOP schemes.

The Directors consider the carrying amount of other 'trade and other payables' to approximate their fair value. The interest expense of £2,000 (2022: £31,000) in relation to the unwinding of the discount is disclosed in note 6.

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 2023 two instalments remain unpaid. These amounts are valued in the accounts at fair value and subsequently amortised.

In December 2022 the Group acquired AV Distribution Ltd for £6,050,000 on a cash-free debt-free basis of which £400,000 was deferred for six months whilst final tax matters were resolved. On 1 June 2022, £388,000 was paid in full and final settlement.

16 Lease liabilities

Short-term leases and leases of low value of £41,000 (31 March 2022: £21,000) are included in administrative expenses.

The Group has leases for motor vehicles, and six properties (31 March 2022: 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	**6**	**8 to 65-months**	**45-months**	**-**	**-**	**1**
Motor vehicles	**2**	**7 to 18-months**	**13-months**	**-**	**2**	**-**

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

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

Future minimum lease payments due at 31 March 2022 were as follows:

	Within 1 year	1-5 years	More than 5 years
	£000	£000	£000
Lease payments	2,102	7,926	1,178
Finance charge	(435)	(1,056)	(31)
Net present value	**1,667**	**6,870**	**1,147**

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

	31 March 2023	31 March 2022

	£000	£000
Current	**1,130**	1,229
Non-current	**7,470**	8,455
Total	**8,600**	9,684

Changes in lease liabilities:

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Opening balance	**9,684**	9,414
Cash flow lease payments	**(1,713)**	(1,952)
New leases	**63**	1,812
Modifications	**566**	410
Total changes	**(1,084)**	270
Closing balance	**8,600**	9,684

17 Share capital and reserves

Share capital	**Year ended 31 March 2023 Number**	**Year ended 31 March 2022 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 2023	**Year ended 31 March 2022**

	£'000	£'000
Opening	**13,286**	13,165
Issue of shares	**-**	121
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 2023 £'000	Year ended 31 March 2022 £'000
Opening	**(74)**	(51)
Translation loss	**-**	(23)
Closing	**(74)**	(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 2023 £'000	Year ended 31 March 2022 £'000
Opening	**1,606**	1,640
Freehold revaluation	**(550)**	-
Deferred tax	**147**	-
Depreciation transfer	**-**	(34)
Closing	**1,203**	1,606

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	Year ended

	31 March 2023 £'000	31 March 2022 £'000
Opening	**21,120**	17,463
Share based payment charge	**245**	55
Deferred tax	**-**	(155)
Depreciation transfer	**-**	34
(Loss)/profit for the year	**(644)**	3,723
Closing	**20,721**	21,120

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

18 Related parties

Transactions with key management personnel

The compensation of key management personnel is as follows:

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Key management emoluments including social security costs	**711**	674
Short-term employee benefits	**6**	6
Company contributions to money purchase pension plans	**31**	21
	748	701

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 (2022: five).

Compensation includes share-based payments of £110,000 (2022: £118,000) in relation to the two LTIPs.

Share based payments

LTIP (2018)

On 31 July 2022 and further to confirmation the performance conditions relating to the conditional share awards granted under the Plan were not met, awards of 7,350 shares to Gareth Bevan, 6,300 shares to Andrew Wass and 6,300 shares to Chris Scott lapsed.