24 June 2025

Gear4music (Holdings) plc
Audited results for the year ended 31 March 2025
"Revenue and profit growth, continued net debt reduction, and a strengthening trajectory in FY26 to date"

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 2025.

FY25 Highlights:

£m	Year ended 31 March 2025 ("FY25")	Year ended 31 March 2024 ("FY24")	Change on FY24
Revenue	146.7	144.4	+2%
Gross profit	39.7	39.4	+1%
Gross margin	27.0%	27.3%	-30bps
EBITDA	10.0	9.4	+7%
PBT	1.6	0.6	+166%

- Revenue growth during H2 FY25 was 4%, reflecting early progress of returning to growth in a challenging market
- Gross margin remained stable at 27.0% (FY24: 27.3%; FY23: 25.7%)
- EBITDA of £10.0m, an increase of 7% on FY24 (FY24: £9.4m; FY23: £7.4m)
- Profit Before Tax of £1.6m is a £1.0m improvement on FY24 (FY24: £0.6m; FY23: -£0.4m)
- Further reduction in net debt to £6.4m at the year-end (FY24: £7.3m; FY23: £14.5m)

Trading Outlook and Strategy:

- UK market consolidating following the previously reported failure of two significant competitors
- Growth strategy evolved to capitalise on emerging opportunities
- Double digit growth from mid-March 2025 with a strengthening trajectory in FY26 to date

- Board’s expectations for FY26 uplifted accordingly, reflecting the positive trajectory of the last three months*

Commenting on the results, Andrew Wass, Executive Chair said:

"We are pleased to confirm that our FY25 financial results are in line with the Year-End trading update published on 2 April 2025, with growth in revenue, EBITDA and Profit Before Tax, alongside a further reduction in Net Debt.

Following the implementation of a wide range of cost reduction measures during FY24, and the relaunch of our Growth Strategy in June 2024, our primary focus during FY25 has been to begin the successful execution of this revised strategy.

On 16 April 2025, we reported a return to double-digit sales growth from mid-March onwards, and we are pleased to confirm that since then, both sales momentum and gross margins have continued to increase.

This encouraging performance reflects the early positive impact of our revised strategy, alongside a more favourable competitive landscape following the recent failure of two UK competitors. As previously reported the Group subsequently acquired selected assets from their Administrators, further strengthening our market position.

Although it remains early in the new financial year, the Group has benefited from these developments and the Board is uplifting its expectations for the Group’s financial performance for the year ending 31 March 2026.”*

*Gear4music believes that, prior to the publication of this announcement, current consensus market expectations for the year ending 31 March 2026 are revenue of £153.8 million, EBITDA of £10.9 million and profit before tax of £2.65 million.

- 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 Yamaha, Roland 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.

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"). Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

Chairman's Statement

Strategic and Financial Overview

As communicated at the beginning of the financial year, following the successful execution of our cost reduction initiatives, enhanced operational efficiencies, and meaningful improvements in working capital management in FY24, in FY25 it was important that the Group refocused its strategic priorities back to the delivery of sustainable, profitable growth. This objective is being pursued through the execution of our clearly defined Growth Plan and is bearing fruit.

Operational and Commercial progress

I am pleased to announce that the Group has delivered improved financial and operational performance amidst what continues to be a challenging macro-economic environment. This reflects the resilience of our business model and the disciplined execution of our strategic initiatives.

Building on the strategic and financial progress of FY24, the Group prioritised a return to top-line growth while maintaining prudent financial management. These efforts have resulted in increased revenue, enhanced profitability, and a third consecutive year of net debt reduction.

To further support our long-term strategic ambitions, we successfully extended our committed £30 million Revolving Credit Facility (RCF) to at least June 2027. This facility is secured by £81.4 million of assets, including £7.4 million in freehold property, thereby ensuring a strong liquidity position and enabling the Group to respond swiftly to growth opportunities as they emerge.

Environmental, Social and Governance

The Group remains committed to generating a positive and lasting impact on society, the environment, and our workforce. Recognising interest from a broad spectrum of stakeholders in our ESG performance, we are pleased to have published our second Climate Report, covering the financial year ended 31 March 2025.

This year's report reflects an improvement in the depth and transparency of our disclosures, and we intend to continue enhancing our ESG reporting in future periods. This ongoing development will further support our ability to evaluate and mitigate environmental impact wherever feasible and align with evolving stakeholder expectations.

Board Changes

Following the Board changes announced last year and implemented in July 2024, I wish to formally express the Board's gratitude to Ken Ford and Dean Murray for their nine years of exemplary service. Their stewardship has been instrumental in scaling the Group from FY15 revenue of £24.2 million to £146.7 million in FY25.

I am also pleased to report that their successors, Neil Catto, appointed as Senior Independent Director, and Sharon Daly, appointed as Non-Executive Director, have smoothly integrated into the Board. With their expertise and perspectives Neil and Sharon are already meaningfully contributing to our strategic development and enhancing our governance capability and Board oversight.

Additionally, the transition of Gareth Bevan into the role of Chief Executive Officer has been executed seamlessly, ensuring leadership continuity across the organisation. In my capacity as Executive Chair, I remain actively engaged in the formulation of strategic direction and the oversight of our long-term growth agenda, while continuing to provide guidance and support to our senior leadership and broader stakeholder base.

Outlook

The Board remains confident in the Group's ability to achieve its long-term strategic goals, underpinned by our leading customer proposition, scalable operational infrastructure, and robust balance sheet. Our focus remains on driving profitable growth and reinforcing our market leadership position across the UK and Europe.

During FY25, we laid strong foundations for the execution of our refreshed Growth Strategy, which included the development of new own-brand products, expansion of our second-hand product offering, the enhancement of our marketing capabilities, and continued investment in our proprietary e-commerce platform.

These strategic investments, coupled with ongoing developments within the competitive landscape, position the Group well to maintain recent positive momentum and drive accelerated commercial and financial performance in FY26 and beyond.

Andrew Wass
Executive Chair
23 June 2025

Chief Executive's Statement

Financial KPIs

	FY25	FY24	**Change on FY24**
Revenue *	**£146.7m**	£144.4m	**+2%**
UK Revenue *	**£90.2m**	£83.1m	**+8%**
International Revenue *	**£56.5m**	£61.3m	**-8%**
Gross margin	**27.0%**	27.3%	**-30bps**
Gross profit	**£39.7m**	£39.4m	**+6%**
Total Admin expenses including redundancy costs *	**£37.3m**	£37.6m	**-1%**
European Admin expenses *	**£4.7m**	£4.9m	**-4%**
Reported EBITDA	**£10.0m**	£9.4m	**+7%**
Adjusted EBITDA **	**£10.0m**	£9.9m	**+1%**
Profit before tax	**£1.6m**	£0.6m	**+£1.0m**
Adjusted profit before tax	**£1.6m**	£1.1m	**+£0.5m**
Net debt ***	**(£6.4m)**	(£7.3m)	**+£0.9m**

* See note 2 of the Financial Information
** Defined as Reported EBITDA less one-off redundancy costs. See note 1.3 to the Financial Information
*** See notes 13 and 14 of the Financial Information

Commercial KPIs

	FY25	FY24	**Change on FY24**
Website users	**24.9m**	23.7m	**+5%**
Conversion rate	**4.04%**	3.93%	**+11bps**
Average order value	**£147**	£153	**-4%**
Active customers	**846,000**	799,000	**+6%**
Products listed	**63,300**	63,000	**-**

Business review

I am pleased to report a resilient performance in FY25, having delivered financial and strategic progress despite ongoing macroeconomic pressures and a subdued consumer spending environment, a temporary setback in H1 due to issues with an outsourced AI-based marketing system that has since been resolved, and aggressive discounting from underperforming competitors prior to their market exit. These achievements are underpinned by the exceptional commitment and contribution of our entire team, to whom I extend my sincere appreciation.

In the face of these challenges, the Group achieved year-on-year revenue growth, maintained gross margin stability, and upheld rigorous cost discipline. These efforts contributed to an increase in reported EBITDA and a £1.0 million year-on-year improvement in Profit Before Tax. Additionally, we recorded a further reduction in net bank debt, resulting in a leverage ratio of 0.6x FY25 EBITDA (FY24: 0.8x), marking a further strengthening of the Group's financial position. Combined with the extension of our £30 million Revolving Credit Facility, the Group possesses the financial stability and flexibility to accelerate growth initiatives while continuing to enhance profits and profitability.

Strategy

Our Profitable Growth Strategy has evolved to adapt to changing market dynamics, and strategically pivot to capitalise on emerging opportunities. Our growth strategy focuses around four pillars:

1. Continuous development of our platform through targeted AI initiatives
2. Enhancing our product offering
3. Diversifying our channels to market
4. Expanding our capabilities to enhance customer experience

Continuous development of our platform through targeted AI initiatives

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

We delivered a series of substantial upgrades to our e-commerce platform throughout the year. These included important infrastructure enhancements, increased efficiency in some warehouse processes, and the initial deployment of a customer-facing AI-chatbot. Looking ahead, the Group expects to launch its proprietary AI-driven purchasing platform during Q3 FY26.

Enhancing our product offering

This includes scaling up our second-hand and digital download propositions, developing and launching a greater number of best-in-class own-brand products, and exploring additional strategic brand partnerships. These initiatives are designed to ensure value for money while simultaneously strengthening our market share. Additionally, we will continue to evaluate opportunities to acquire legacy brands as they arise, such as Studiospares and sub-brands acquired in the year, and GAK and S&T Audio/PMT brands acquired post year-end.

Further expansion of our in-house product design and development capabilities enabled the successful launch of a record 702 new own-brand products. This strategic initiative supports our focus on differentiated offerings and margin expansion, further consolidating our market and value proposition.

Our second-hand trading platform has been enhanced during the year through a broadened SKU range across varied product conditions. This has resulted in revenue growth of 161%, reaching £3.0 million for FY25, and we see significant headroom for further expansion within this high-margin category.

Diversifying our channels to market

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

Expanding our capabilities to enhance customer experience

Seeking and reacting to growth opportunities, we will invest into our operational infrastructure to maximise efficiency and ensure an exceptional customer experience at every touchpoint.

Outlook

In FY25 in light of continued pressure on discretionary consumer spending and the impact of aggressive discounting by financially distressed competitors in both the UK and Europe, the Group maintained a prudent balance between revenue growth ambitions and disciplined cost and working capital management.

There is now clear evidence of market consolidation and rationalisation with a number of weaker competitors ceasing operations in FY26 to date and this is creating opportunities for us, as seen by our purchases of the GAK and S&T Audio/PMT brands. This trend may signal a more favourable competitive landscape ahead. Accordingly, the Board remains confident in the Group's ability to deliver further profitable growth in FY26 and beyond, supported by strong operational foundations, a robust capital structure, and the disciplined execution of our strategic roadmap.

Gareth Beven
Chief Executive Officer
23 June 2025

Chief Financial Officer's statement

Overview

Heading into the financial year, the Board reaffirmed its focus on delivering a return to profitable growth, building on the operational and financial progress achieved in FY24. Against this backdrop, the Group is pleased to report that it has delivered revenue growth, sustained stable gross margins, and maintained a disciplined approach to cost control throughout FY25. These combined efforts resulted in a year-on-year increase in reported EBITDA and a £1.0 million improvement in Profit Before Tax compared to the prior financial year.

Further strengthening the Group's balance sheet, net bank debt was reduced to £6.4 million as at 31 March 2025. This reduction has resulted in a year-end leverage ratio of 0.6x FY25 EBITDA, compared to 0.8x in FY24, reinforcing the Group's robust financial position and capacity to support future growth initiatives.

The strategic and financial progress achieved during FY25 positions the Group well as it enters FY26. With the competitive landscape evolving and moving in our favour, the Group is well-placed to accelerate the execution of its refreshed growth strategy and continue delivering enhanced value for shareholders and stakeholders alike.

Revenue

	FY25	FY24	Change on FY24
	£m	£m	%
UK revenue	**90.2**	83.1	+8%
European revenue	**54.7**	59.2	-8%
Rest of the World revenue	**1.8**	2.1	-13%
Revenue	**146.7**	144.4	+2%

Revenue increased £2.3m (2%) on FY24 with a 1% decrease in H1 more than offset by a 4% increase in H2.

UK revenue of £90.2m was £7.1m (8%) ahead of last year reflecting the enduring strength of brand and proposition in our most mature market, and new initiatives being launched in the UK first. This takes our estimated UK market share to 10.1% (FY24: 9.5%).

European revenues of £54.7m were £4.5m (8%) behind FY24, reflecting a challenging market, with certain underperforming competitors resorting to aggressive discounting whilst we maintained our pricing levels in-line with our strategy, and continuing weak consumer confidence.

Revenues from sales outside of Europe accounted for 1.2% of total revenue (FY24: 1.4%).

	FY25	FY24	Change on FY24
	£m	£m	%
Other-brand product revenue	**104.7**	100.4	+4%
Own-brand product revenue	**35.7**	37.6	-5%
Carriage income	**5.7**	5.8	-1%
Other	**0.6**	0.6	-
Revenue	**146.7**	144.4	+2%

Other brand revenue of £104.7m was £4.3m ahead of last year (4%) reversing a £5.8m (5%) decrease in FY24, reflecting opportunities for particular brands in certain territories.

Own-brand revenue of £35.7m was £1.9m (5%) down on FY24, impacted by a slow start to the year as teething problems with an outsourced AI-based marketing system led to an under-allocation of spend on higher margin categories including own-brand. Nevertheless own-brand still accounted for 24.3% of total revenue (FY24: 26.0%) from 8.8% (FY24: 8.5%) of SKUs. It is our ambition to grow our own-brand business and to support this we have further invested in our own-brand team.

Carriage income totalled £5.7m representing a small decrease of £0.1m (1%) compared to the prior year. This equated to 3.9% of total sales, down slightly from 4.0% in the previous year, reflecting a lower level of cost recharging in a highly competitive market environment.

Other revenue comprises paid for extended warranty income, and commissions earned on facilitating point-of-sale credit for retail customers. The proportion of revenue coming from these sources was 0.4% of total revenue in FY25 and FY24.

Gross profit

	FY25	FY24	Change on FY24
Product revenue (£m)	**140.4**	138.0	2.4
Product profit (£m)	**43.8**	43.2	0.6
Product margin	**31.2%**	31.3%	-10bps
Carriage costs (£m)	**9.7**	9.4	0.3
Carriage costs as % of sales	**6.6%**	6.5%	+10bps
Gross profit (£m)	**39.7**	39.4	0.3
Gross margin	**27.0%**	27.3%	-30bps

A 2% increase in revenue resulted in gross profit ahead of last year despite a 30bps fall in gross margin.

Product margin was broadly maintained demonstrating ongoing pricing discipline, and supported by an improvement in own-brand margin and increased contribution from higher-margin categories such as second-hand products. These gains offset the impact of a lower proportion of own-brand revenue, which accounted for 24.3% of total revenue compared to 26.0% in FY24.

A 10bps increase in carriage costs reflects inflationary increases in cost of delivery, and a 5% lower AOV.

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 £3.2m is £0.4m ahead of FY24 reflecting a revenue increase and a tightly controlled cost base.

EBITDA of £10.0m was £0.6m ahead of FY24 EBITDA and £0.1m ahead of FY24 Adjusted EBITDA (adjusted for £0.5m of one-off redundancy costs).

	FY25	FY24	Change on FY24
	£m	£m	£m
UK Administrative expenses	**(32.6)**	(32.7)	0.1
European Administrative expenses	**(4.7)**	(4.9)	0.2
Administrative expenses	**(37.3)**	(37.6)	0.3
Other income	**0.9**	0.9	-
Operating profit	**3.2**	2.8	0.4
Depreciation and amortisation	**6.8**	6.6	0.2
EBITDA	**10.0**	9.4	0.6
Exceptional item – Redundancy costs	-	0.5	-
Adjusted EBITDA	**10.0**	9.9	0.1
Adjusted EBITDA margin	**6.8%**	6.9%	-10bps

Administrative expenses increased 1% (£0.2m) on underlying FY24 (excluding one-off redundancy costs), broadly in-line with the 2% increase in revenue.

Combined marketing and labour costs of £23.9m (FY24: £23.6m) accounted for 64% of administrative expenses in both FY25 and FY24:

- Marketing expenditure increased 3% in FY25 to £10.4m (FY24: £10.1m) equating to 7.1% of revenue (FY24 7.0%), reflecting the aforementioned H1 problems with an outsourced AI-based marketing system leading to cost-allocation inefficiencies and over-spend. Marketing as a proportion of revenue was 7.3% in H1 and 6.9% in H2; and

- Labour costs increased 1% year-on-year to £13.6m (FY24: 13.5m) reflecting a 7% decrease in average headcount offset by an 8% increase in average cost per head. Labour costs accounted for 9.3% of revenue (FY24: 9.4%).

Other expenses and net profit

Financial expenses of £1.7m (FY24: £2.2m) include £1.1m of bank interest (FY24: £1.5m) reflecting a lower average net debt position and lower interest rates, £0.4m of IFRS16 lease interest (FY24: £0.4m), and a £0.2m net foreign exchange loss (FY24: £0.2m loss).

The Group reports a profit before tax of £1.6m (FY24: £0.6m) that after tax translates into basic earnings per share of 4.0p and diluted earnings per share of 3.8p (FY24: 3.1p basic and 3.0p diluted loss per share).

The FY25 tax charge of £0.7m reflects increased profits generated in the year, a £0.2m deferred tax charge, and a £0.3m charge arising following adjustments to the Corporate Income Tax position of the Group's overseas subsidiaries per their latest local statutory audits.

Cash-flow

Net bank debt decreased from £7.3m at the start of the year to £6.4m, representing 0.6x FY25 EBITDA (£10.0m), and secured by £81.4m of assets including two freehold properties with a combined carrying value of £7.4m.

	FY25	FY24	Change on FY24
	£m	£m	£m
Opening cash	**4.7**	4.5	0.2
Profit for the year	**0.8**	0.7	0.1
Movement in working capital	**(1.8)**	4.7	(6.5)
Depreciation and amortisation	**6.8**	6.6	0.2
Financial expense	**1.6**	2.1	(0.5)
Tax and Other operating adjustments	**0.9**	0.5	0.4
Net cash from operating activities:	**8.3**	14.6	(6.3)
Net cash used in investing activities:	**(3.9)**	(3.9)	-
Net cash used in financing activities:	**(3.5)**	(10.5)	7.0
Increase in cash in the year	**0.9**	0.2	(0.7)
Closing cash	**5.6**	4.7	0.9

In June 2025 the Group extended its RCF at £30m for a further year to June 2027 with its bankers, HSBC, providing the headroom to invest in opportunities as and when they arise.

Net cash outflow in investing activities is flat on the previous year at £3.9m including £3.6m of capitalised software development costs (FY24: £3.7m) and £0.3m property, plant and equipment additions (FY24: £0.2m). Depreciation and amortisation of £6.8m (FY24: £6.6m) is added back in 'net cash from operating activities'.

Net cash outflow from financing activities of £3.5m (FY24: £10.5m outflow) represents net nil movement on the RCF (FY24: paid down by £7.0m), £1.7m payment of lease liabilities (FY24: £1.4m), and £1.8m interest paid (FY24: £2.1m).

Balance sheet

	31 March 2025	31 March 2024	Change on 31 March 2024
	£m	£m	£m
Property, plant and equipment	**10.1**	10.9	(0.8)
Right-of-use assets	**6.5**	8.1	(1.6)
Software platform	**12.3**	12.8	(0.5)
Other intangible assets	**9.3**	9.2	0.1
Total non-current assets	**38.2**	41.0	(2.8)
Inventory	**34.2**	25.6	8.6
Cash	**5.6**	4.7	0.9
Other current assets	**3.4**	3.9	(0.5)
Total current assets	**43.2**	34.2	9.0
Trade payables	**(12.1)**	(6.9)	(5.2)
Lease liabilities	**(1.9)**	(1.8)	(0.1)
Other current liabilities	**(7.8)**	(6.6)	(1.2)
Total current liabilities	**(21.8)**	(15.3)	(6.5)
Loans and Borrowings	**(12.0)**	(12.0)	-
Lease liabilities	**(5.9)**	(7.6)	1.7
Other non-current liabilities	**(2.4)**	(1.9)	(0.5)
Total non-current liabilities	**(20.3)**	(21.5)	1.2
Net assets	**39.3**	38.4	0.9

Capital expenditure on property, plant and equipment totalled £0.3m across all sites (FY24: £0.2m).

The Group capitalised £3.6m of software development costs during the year (FY24: £3.7m), relating to the ongoing enhancement of our proprietary e-commerce platform. Related amortisation of £4.1m (FY24: £3.7m) resulted in a year-end net book value of £12.3m (FY24: £12.8m).

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

Inventory of £34.2m is £8.6m (33%) higher than at 31 March 2024 reflecting an increased Own-brand range and breadth across all DCs, and investment in branded-products as and when the opportunity arose.

The Group carried net bank debt of £6.4m at the year-end (31 March 2024 net bank debt: £7.3m).

Dividends

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

Chris Scott
Chief Financial Officer
23 June 2025

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Note	Year ended31 March 2025 £000	Year ended 31 March 2024 £000
Revenue	*2*	**146,720**	144,384
Cost of sales		**(107,057)**	(104,947)
Gross profit		**39,663**	39,437
Administrative expenses	*2,3,4*	**(37,335)**	(37,609)
Other income	*3*	**910**	935
Operating profit before exceptional items		**3,238**	3,250
Exceptional items	*1.3*	**-**	(487)
Operating profit		**3,238**	2,763
Financial expenses	*6*	**(1,791)**	(2,223)
Financial income	*6*	**115**	44
Profit before tax		**1,562**	584
Taxation	*7*	**(730)**	67
Profit for the year		**832**	651
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	*8*		-
Deferred tax movements		**5**	150
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**36**	177
Total comprehensive income for the year		**873**	978
Basic profit per share	*5*	**4.0p**	3.1p
Diluted profit per share	*5*	**3.8p**	3.0p

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

Consolidated Statement of Financial Position

	Note	**Year ended 31 March 2025 £000**	Year ended 31 March 2024 £000
Non-current assets			
Property Plant and Equipment	*8*	**10,134**	10,862
Right-of-use assets	*9*	**6,479**	8,099
Intangible assets	*10*	**21,606**	22,049
		38,219	41,010
Current assets			
Inventories	*11*	**34,193**	25,643
Trade and other receivables	*12*	**3,147**	3,079
Corporation tax receivable		**239**	768
Cash and cash equivalents	*13*	**5,576**	4,696
		43,155	34,186
Total assets		**81,374**	75,196
Current liabilities			
Trade and other payables	*15*	**(19,921)**	(13,478)
Lease liabilities	*16*	**(1,869)**	(1,794)
		(21,790)	(15,272)
Non-current liabilities			
Interest-bearing loans and borrowings	*14*	**(12,000)**	(12,000)
Other payables	*15*	**(238)**	(90)
Lease liabilities	*16*	**(5,940)**	(7,599)
Deferred tax liability		**(2,103)**	(1,868)
		(20,281)	(21,557)
Total liabilities		**(42,071)**	(36,829)
Net assets		**39,303**	38,366
Equity			
Share capital	*17*	**2,098**	2,098
Share premium	*17*	**13,286**	13,286
Foreign currency translation reserve	*17*	**140**	(74)
Revaluation reserve	*17*	**1,145**	1,171
Retained earnings	*17*	**22,634**	21,708

	Note	**Year ended 31 March 2025 £000**	Year ended 31 March 2024 £000
Total equity		**39,303**	38,366

The notes 1 to 19 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 2023	**2,098**	**13,286**	**(74)**	**1,203**	**20,721**	**37,234**
Comprehensive income for the year						
Profit for the year	-	-	-	-	651	**651**
Other Comprehensive income:						
Foreign currency translation difference	-	-	177	-	-	**177**
Deferred tax adjustment	-	-	-	-	150	**150**
Depreciation transfer	-	-	-	(32)	32	**-**
Total comprehensive income for the year	**-**	**-**	**177**	**(32)**	**833**	**978**
Transactions with owners						
Share based payments charge	-	-	-	-	154	**154**
Total transactions with owners	**-**	**-**	**-**	**-**	**154**	**154**
Balance at 31 March 2024	**2,098**	**13,286**	**103**	**1,171**	**21,708**	**38,366**
Comprehensive income for the year						
Profit for the year	-	-	-	-	832	**832**
Other Comprehensive income:						
Foreign currency translation difference	-	-	37	-	-	**37**
Deferred tax adjustment	-	-	-	-	5	**5**
Depreciation transfer	-	-	-	(26)	26	**-**
Total comprehensive income for the year	**-**	**-**	**37**	**(26)**	**863**	**874**
Transactions with owners						
Share based payments charge	-	-	-	-	63	**63**
					63	**63**
Balance at 31 March 2025	**2,098**	**13,286**	**140**	**1,145**	**22,634**	**39,303**

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

Consolidated Statement of Cash Flows

	Note	**Year ended 31 March 2025**	Year ended 31 March 2024
		£000	£000
Cash flows from operating activities			
Profit for the year		**832**	651
Adjustments for:			
Depreciation and amortisation	*3*	**6,802**	6,642
Financial expenses and financial income	*7*	**1,553**	2,173
Profit on sale of property, plant and equipment		**(5)**	(16)
Share based payment charge		**63**	184
Taxation expense/(income)	*8*	**340**	(456)
		9,585	9,178
(Increase)/decrease in trade and other receivables	*15*	**(69)**	355
(Increase)/decrease in inventories	*14*	**(8,550)**	8,738
Increase/(decrease) in trade and other payables	*18*	**6,860**	(4,383)
		7,826	13,888
Tax received	*8*	**429**	736
Net cash generated from operating activities		**8,255**	14,624
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**16**	26
Acquisition of property, plant and equipment	*9*	**(349)**	(166)
Capitalised development expenditure	*11*	**(3,573)**	(3,726)
Business combinations: Deferred consideration	*11*	**(25)**	(25)
Purchase of other intangibles	*11*	**(102)**	(12)
Interest received	*7*	**115**	44
Net cash used in investing activities		**(3,918)**	(3,859)
Cash flows from financing activities			
Interest paid		**(1,774)**	(2,106)
Repayment of borrowings	*17*	**-**	(7,000)
Payment of lease liabilities	*19*	**(1,692)**	(1,401)
Net cash used in financing activities		**(3,466)**	(10,507)
Net increase in cash and cash equivalents		**871**	258
Cash at beginning of year		**4,696**	4,460
Foreign exchange movement		**9**	(22)
Cash at end of year	*16*	**5,576**	4,696

	Note	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000

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

Notes to the consolidated financial report
(forming part of the financial report)

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.

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

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 2024 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 2025 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 2024 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 report presented covers the years ended 31 March 2025 and 31 March 2024.

Measurement convention

The financial report has 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 ended 31 March 2025, and the impact was not material:

- Amendments to IFRS 16 – lease liability in a sale and leaseback
- Amendments to IAS 1 – classification of liabilities as current or non-current
- Amendments to IAS 7 and IFRS 7 – supplier finance arrangements
- Amendments to IAS 21 – Lack of exchangeability

These are considered either not relevant or to have no material impact on the Group.

1.3 Exceptional items

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

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

The presentation is consistent with the way Financial Performance is measured by management and reported to the Board.

The FY24 exceptional costs of £487,000 related to redundancy costs incurred during the restructure of various Head Office teams, principally Software Development. These costs were paid in full in FY24.

1.4 Going concern presumption for the period to 30 June 2026

The Group's business activities and position in the market, and principal risks, uncertainties and mitigations are described in the Group's annual 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 June 2025 the Group extended its RCF with HSBC at £30m for a further one-year period to 15 June 2027. This facility provides a good and appropriate level of headroom that has been factored into the Directors going concern assessment.

The Group is focused on continuing to reduce its net debt from a financial year-end peak of £24.2m at 31 March 2022 to £7.3m at 31 March 2024 and £6.4m at 31 March 2025.

The Group has conducted a reverse stress test where revenue was assumed to decrease 30% over the period to 30 June 2026 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 2026 based on its offering in the UK and Europe and concluded that potential growth rates remain strong. There is a diverse supply chain with no key dependencies.

The Group's policy is to ensure that it has sufficient facilities to cover its future funding requirements. At 31 March 2025 the Group had net debt of £6.4m (31 March 2024: £7.3m), with £5.6m cash (31 March 2024: £4.7m cash).

Having duly considered all of these factors and having reviewed the forecasts for the period to 30 June 2026, 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 2025 £000	Year ended 31 March 2024 £000
UK	**90,230**	83,109
Europe	**54,695**	59,222
Rest of the World	**1,795**	2,053
	146,720	144,384

Administrative expenses by Geography

	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
UK	**32,605**	32,669
Europe	**4,730**	4,940
	37,335	37,609

In the year ended 31 March 2024 UK Administrative expenses of £32.7m include £487,000 of exceptional redundancy costs.

The majority of Group assets are held in the UK except for local right of use assets and property, plant and equipment, and cash in Sweden (31 March 2025: £2.9m; 31 March 2024: £3.2m), Germany (31 March 2025: £1.5m; 31 March 2024: £2.2m), Spain (31 March 2025: £0.8m; 31 March 2024: £1.2m), and Ireland (31 March 2025: £0.3m; 31 March 2024: £0.6m).

Revenue by Product category

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

	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
Other-brand products	**104,677**	100,404
Own-brand products	**35,665**	37,607
Carriage income	**5,763**	5,809
Warranty income	**412**	411
Other	**203**	153
	146,720	144,384

3 Expenses and other income

Included in profit/loss are the following:

Expenses	**Year ended 31 March 2025 £000**	Year ended 31 March 2024 £000
Rentals – short-term rentals of plant & machinery	**7**	10
Equity-settled share-based payment charges	**46**	184
Depreciation of property, plant and equipment	**1,065**	1,227
Depreciation of right-of-use assets	**1,620**	1,677
Amortisation of Intangible assets	**4,118**	3,739
Profit on disposal of property, plant and equipment	**(5)**	(16)
R&D expenditure recognised as an expense	**126**	183
Auditor remuneration – audit of the Group financial statements	**75**	72
Auditor remuneration – this year's audit of financial statements of subsidiaries	**82**	80
Auditor remuneration – non-audit fees – Other audit related services	**7**	6

Other income	**Year ended 31 March 2025 £000**	Year ended 31 March 2024 £000
RDEC tax credits	**390**	389
Rental income	**289**	244
Other	**231**	302
	910	935

Rental income relates to our freehold Head-office in York. 'Other' includes income from on-site café at York Head-office, and 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 2025 Nos.	Year ended 31 March 2024 Nos.
Administration	**164**	198
Selling and Distribution	**287**	286
	451	484

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
Wages and salaries	**13,472**	14,319
Social security costs	**1,657**	1,681
Contributions to defined contribution plans	**881**	994
Less: capitalised as development costs	**(2,386)**	(3,473)
	13,624	13,521

In the year ended 31 March 2024, wages and salaries, social security costs, and staff pension costs of £487,000 relating to redundancy costs were reported as 'exceptional costs' and not included in the figures above.

Directors' remuneration

	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
Directors' emoluments	**769**	747

The aggregate remuneration of the highest paid director was £215,000 during the year (2024: £230,000), including company pension contributions of £7,000 (2024: £8,000) that were made to a money purchase scheme on their behalf.

There were seven directors (2024: five) for whom retirement benefits accrued under a money purchase pension scheme.

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.

	Year ended 31 March 2025	Year ended 31 March 2024
Profit attributable to equity shareholders of the parent (£'000)	**832**	651
Basic weighted average number of shares	**20,976,938**	20,976,938
Dilutive potential ordinary shares	**969,604**	1,102,450
Diluted weighted average number of shares	**21,946,542**	22,079,388
Basic profit per share	**4.0p**	3.1p
Diluted profit per share	**3.8p**	3.0p

6 Financial expenses and Financial income

	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
Bank interest	**1,192**	1,545
IFRS16 lease interest	**418**	490
Net foreign exchange loss	**179**	185
Unwinding of discount on deferred consideration	**2**	3
Total financial expenses	**1,791**	2,223

	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
Bank interest	**115**	44

Total financial income	**115**	44

7 Taxation

Recognised in the income statement

	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
Current tax expense		
UK Corporation tax	**125**	-
Overseas Corporation tax	**30**	32
Adjustments for prior periods	**334**	(82)
Current tax expense/(credit)	**490**	(50)
Deferred tax expense		
Origination and reversal of temporary differences	**294**	215
Adjustments for prior periods	**(54)**	(232)
Deferred tax expense/(credit)	**240**	(17)
Total tax expense/(credit)	**730**	(67)

The corporation tax rate applicable to the company was 25% for the years ended 31 March 2025 and 31 March 2024. The deferred tax assets and liabilities at 31 March 2025 have been calculated based on that rate.

Reconciliation of effective tax rate

	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
Profit before taxation	**1,562**	584
Current tax at 25% (*2024: 25.0%)*		
Tax using the UK corporation tax rate for the relevant period:	**371**	146

Non-deductible expenses	**61**	94
Share based payment – permanent difference	**6**	-
Adjustments relating to prior year – deferred tax	**(54)**	(232)
Adjustments relating to prior year – current tax	**334**	(82)
Impact of overseas tax rate	**(8)**	(4)
R&D credit	**20**	11
Total tax charge/(credit)	**730**	(67)

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 2023	2,438	7,392	39	1,421	8,201	19,491
Additions	-	157	-	8	-	165
Disposals	-	-	(9)	(33)	-	(42)
Balance at 31 March 2024	2,438	7,549	30	1,396	8,201	19,614
Additions	78	226	-	44	-	348
Disposals	(49)	(4)	-	(34)	-	(87)
Balance at 31 March 2025	**2,467**	**7,771**	**30**	**1,406**	**8,201**	**19,875**
Depreciation and impairment						
At 1 April 2023	1,867	4,072	33	1,105	480	7,557
Depreciation charge for the year	235	682	1	144	165	1,227
Disposals	-	-	(9)	(23)	-	(32)
Balance at 31 March 2024	2,102	4,754	25	1,226	645	8,752
Depreciation charge for the year	185	616	1	99	164	1,065
Disposals	(50)	(2)	-	(24)	-	(76)
Balance at 31 March 2025	**2,237**	**5,368**	**26**	**1,301**	**809**	**9,741**

Net book value as at 31 March 2025	**230**	**2,403**	**4**	**105**	**7,392**	**10,134**
Net book value as at 31 March 2024	336	2,795	5	170	7,556	10,862
Net book value as at 31 March 2023	571	3,320	6	316	7,721	11,934

Freehold property valuation – Holgate Park Head Office

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

Management have reviewed the fair value at 31 March 2025 and concluded that this would not be materially different. If the property had not been revalued the net book value would have been £4.7m.

Freehold property valuation – Bacup distribution centre

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

In consultation with independent chartered surveyors, Management reviewed the fair value as at 31 March 2025 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

At 31 March 2025 the Group has five leased properties comprising Distribution Centres and Showrooms in York, Sweden and Germany, and Distribution Centres in Ireland and Spain.

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

	Short leasehold properties £000
Cost	
At 1 April 2023	12,765
Modifications	2,666
Net exchange differences	(178)
Balance at 31 March 2024	15,253
Modifications	-
Net exchange differences	-
Disposals	-
Balance at 31 March 2025	**15,253**
Depreciation	
At 1 April 2023	5,477
Depreciation charge for the year	1,677
Balance at 31 March 2024	7,154
Depreciation charge for the year	1,620
Balance at 31 March 2025	**8,774**
Net book value as at 31 March 2025	**6,479**
Net book value as at 31 March 2024	8,099
Net book value as at 31 March 2023	7,288

10 Intangible assets

Software platform additions in the year-ended 31 March 2025 comprised £2,386,000 (2024: £3,473,000) of internally developed additions being 95% of software developer wages and salaries, £1,049,000 (2024: £78,000) of externally developed additions, £117,000 (2024: £149,000) of capitalised interest, and £21,000 (2024: £26,000) of software licences for tools used in development.

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

	Goodwill £000	Software platform £000	Brand £000	Domains £000	Other Intangibles £000	Total £000
Cost						
At 1 April 2023	5,324	25,005	1,372	3,031	149	34,881
Additions	-	3,726	-	12	-	3,738
Balance at 31 March 2024	5,324	28,731	1,372	3,043	149	38,619
Additions	-	3,573	98	4	-	3,675
Balance at 31 March 2025	**5,324**	**32,304**	**1,470**	**3,047**	**149**	**42,294**
Amortisation						
At 1 April 2023	-	12,217	563	3	49	12,832
Amortisation for the year	-	3,699	-	3	37	3,739
Balance at 31 March 2024	-	15,916	563	6	85	16,570
Amortisation for the year	-	4,076	-	4	38	4,118
Balance at 31 March 2025	**-**	**19,992**	**563**	**10**	**123**	**20,688**
Net book value as at 31 March 2025	**5,324**	**12,312**	**907**	**3,037**	**26**	**21,606**
Net book value as at 31 March 2024	5,324	12,814	809	3,037	64	22,049
Net book value as at 31 March 2023	5,324	12,788	809	3,028	100	22,049

Other intangibles

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

Goodwill

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

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

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

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

Goodwill balances are denominated in Sterling:

	Year ended 31 March 2025 £000	Year ended 31 March 2024 £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 2025 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 2025 and concluded it has a single CGU to which all intangibles are allocated. The carrying value of the CGU includes these intangibles, the right-of-use assets, and all other PPE was £30.8m (2024: £33.7m). 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 2027 was used to provide cash-flow projections that have been discounted at a pre-tax discount rate of 14.40% (2024: 13.58%). The cash flow projections are subject to key assumptions in respect of revenue growth, gross margin performance, overhead expenditure, and capital expenditure. Management has reviewed and approved the assumptions inherent in the model:

- Annual forecast revenue growth of 8% in 2026; 4% in 2027 and 2% from 2028 based on growth by geographical market, based on market size and estimate of opportunity, trends, and Management's experience and expectation.
- 2029-30 and into perpetuity revenue growth of 2%;
- Gross margins are forecast to improve in the 2026-2027 forecast period; and
- Wage increases are a function of recruitment and review of current staff, with a range of % increases.

No impairment loss was identified in the current year (2024: £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 2025 £000	Year ended 31 March 2024 £000
Finished goods	**34,193**	25,643

The cost of inventories recognised as an expense and included in cost of sales in the year amounted to £97.6m (2024: £95.8m).

Management has included a provision of £81,000 (31 March 2024: £52,000), 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 2025 £000	Year ended 31 March 2024 £000
Trade receivables	**1,100**	1,125
Social security and other taxes	**406**	538
Prepayments	**1,641**	1,416
	3,147	3,079

Corporation tax asset of £239,000 (31 March 2024: £768,000) 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. The value of the Expected Credit Loss ('ECL') is immaterial.

Customer receivables

The Group faces low credit risk as customers typically pay for their orders in full on shipment of the product, with the only exception being a small number of education accounts with schools and colleges that have 30-day terms (2.9% of 2025 revenues; 2.7% of 2024 revenues).

Funds lodged with payment providers

Funds lodged with Amazon, Digital River, Klarna and V12 Retail Finance totalled £549,000 on 31 March 2025 (31 March 2024: £508,000) and are included in Trade receivables. Credit risk in relation to cash held with financial institutions is considered very low risk, given the credit rating of these organisations.

13 Cash and cash equivalents

	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
Cash and cash equivalents	**5,576**	4,696

Cash-in-transit to the Group at 31 March 2025 was £697,000 (31 March 2024: £434,000) 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 2025 £000	Year ended 31 March 2024 £000
Bank loans	**12,000**	12,000
	12,000	12,000

Revolving Credit Facility

At 31 March 2025 bank loans were drawn loans under the Group's three-year £30m Revolving Credit Facility ('RCF') with HSBC. This facility expires in June 2027 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 2025 £000	Year ended 31 March 2024 £000
Opening balance	**12,000**	19,000
Changes from financing cash flows		
Proceeds from loans and borrowings	**-**	-
Repayment of borrowings	**-**	(7,000)
Total changes from financing cash flows	**-**	(7,000)
Other changes		
Interest expense (note 6)	**1,192**	1,545
Interest expense capitalised into intangible assets (note 10)	**117**	149
Interest paid	**(1,356)**	(1,667)
Movement in interest accrual (included in accruals and deferred income – note 15)	**45**	(30)
Fair value movement on loans	**2**	3
Total other changes	**-**	-
Closing balance	**12,000**	12,000

Other bank facilities

Gear4music has a number of guarantees in relation to VAT, and issues letter of credits to its suppliers. At 31 March 2025 the Group had guarantees of £711,000 in place (31 March 2024: £724,000) and letters of credit of £30,000 (31 March 2024: £57,000).

15 Trade and other payables

	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
Current		
Trade payables	**12,112**	6,895
Accruals and deferred income	**4,802**	3,585
Deferred consideration	**-**	23
Other taxation and social security	**3,007**	2,975
	19,921	13,478
Non-current		
Accruals and deferred income	**238**	90
	238	90

Year-end accruals and deferred income included:

- £1,425,000 (31 March 2024: £1,353,000) relating to customer prepayments; and
- £50,000 (31 March 2024: £90,000) 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 (2024: £2,000) in relation to the unwinding of the discount is disclosed in note 6.

16 Lease liabilities

Short-term leases and leases of low value of £7,000 (31 March 2024: £10,000) are included in administrative expenses.

The Group has a lease for a motor vehicle, and five properties (31 March 2024: six). Each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

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

Right-of-use asset	No of right-of-use assets leased	Range of remaining term	Average remaining lease term	No of leases with extension options	No of leases with options to purchase	No of leases with termination options
Property	**5**	**16 to 96-months**	**40-months**	-	-	-
Motor vehicles	**1**	**8-months**	**8-months**	-	**1**	-

Future minimum lease payments due at 31 March 2025 were as follows:

	Within 1 year £000	1-5 years £000	More than 5 years £000
Lease payments	2,156	4,594	2,084
Finance charge	(287)	(549)	(188)
Net present value	**1,869**	**4,045**	**1,896**

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

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

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

	31 March 2025 £000	31 March 2024 £000
Current	**1,869**	1,794
Non-current	**5,940**	7,599
Total	**7,809**	9,393

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

17 Share capital and reserves

Share capital	**Year ended 31 March 2025 Number**	Year ended 31 March 2024 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 2025 £'000	Year ended 31 March 2024 £'000
Opening	**13,286**	13,286
Issue of shares	**-**	-
Closing	**13,286**	13,286

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

Foreign currency translation reserve

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Opening	**103**	(74)
Translation gain	**37**	177
Closing	**140**	103

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 2025 £'000	Year ended 31 March 2024 £'000
Opening	**1,176**	1,203
Depreciation transfer	**(26)**	(32)
Closing	**1,145**	1,171

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

Retained earnings

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Opening	**21,708**	20,721
Share based payment charge	**63**	154
Deferred tax	**5**	150
Depreciation transfer	**26**	32
Profit/(loss) for the year	**832**	651
Closing	**22,634**	21,708

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 2025 £000	Year ended 31 March 2024 £000
Key management emoluments including social security costs	**734**	715
Short-term employee benefits	**8**	7
Company contributions to money purchase pension plans	**27**	25
Employers National Insurance	**83**	83
	852	830

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

In 2025 seven directors accrued retirement benefits under a money purchase scheme (2024: five).

Compensation includes share-based payments of £97,000 (2024: £97,000) in relation to the LTIP.

19 Post balance sheet events

In April 2025 the Group purchased stock and certain intangible assets from Administrators of GAK.co.uk Ltd and The Guitar, Amp & Keyboard Centre Ltd.

In June 2025 the Group purchased stock and certain intangible assets from Administrators of S&T Audio Limited trading as 'PMT Play Music Today'.