

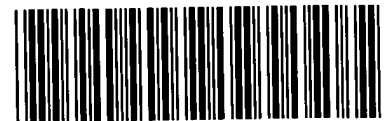
Gear4music Limited

Annual report and financial statements

Registered number 03113256

28 February 2017

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Strategic Report

The directors present their Strategic report prepared in accordance with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Principal activities

Gear4music Limited (the 'Company') is the retailing subsidiary of Gear4music (Holdings) plc. Gear4music (Holdings) plc completed an Initial Public Offering on AIM in June 2015 and raised £10.3m of gross proceeds. The Company has trading subsidiaries in Sweden and Germany that operate as distribution centres for the Company, and two dormant subsidiaries. These companies comprise the Gear4music Group (the 'Group'). More detail of the Group performance is available in the Groups' Annual Report that is available on the Group's investor website.

Gear4music is the largest UK based online retailer of musical instruments and music equipment. Launched in 2003 by Chief Executive Officer Andrew Wass, the business has grown quickly, from £12.3m revenue in FY13 to £56.1m in FY17.

Operating from an office, showroom and distribution centre in York, the Company sells own-brand musical instruments and music equipment alongside well known premium brands including Fender, Yamaha and Roland, to customers ranging from beginners, to musical enthusiasts and professionals in the UK, and since 2012 into Europe.

Having developed its own ecommerce platform, with multilingual, multicurrency and fully responsive design websites covering 19 countries, the Company has rapidly expanded its customer database, and continued to build its overseas presence.

The business retails over 38,500 SKUs which has increased from 37,122 since the financial year end, across all major categories of musical instruments and equipment, sourced from over 670 manufacturers, and range from kazoo's costing less than £1, to digital pianos, drum kits and guitars costing thousands of pounds.

Business review

During the last year the Company took more significant strides forward in its mission to become a leading musical instrument and equipment retailer in Europe.

The IPO in June 2015 put the Group in a strong financial position, enabling it to repay historic private equity debt in full and providing the financial resource necessary to continue to build a scalable, market leading business.

The business's unique mix of a highly competitive own-brand range, products from the biggest names in the industry, and its bespoke online retail and distribution platform has helped to achieve revenue growth of over 46% during the year, which was ahead of market expectations.

The business is about making great music gear accessible and affordable to all musicians, from beginners and enthusiasts to professionals, and the Directors are very proud of what their specialist and talented staff have achieved so far.

However, the business wants to achieve much, much more, and will continue to accelerate the development of its systems, websites, logistics, people and product ranges to ensure a continually improving customer experience, as part of its mission to be the best.

Principal risks and uncertainties

As a retail operation, the business faces a number of commercial risks ranging from international economic factors and the impact on consumer confidence and spending, through to local competitive pressure relevant to all markets. The business manages these risks by providing high quality products across a comprehensive range, at competitive prices, supported by good customer service.

In the financial year 38% of Gear4music's sales were into Europe and as such the result of the result of the UK's EU Referendum vote and how the subsequent negotiations unwind, are relevant to the business in terms of currency movements and access to the EU single market. It is the Board's view that the Company and Group are well capitalised and well positioned to take advantage of the export opportunities created by the vote, and the Company has established a physical European footprint during 2016.

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

The business is undergoing rapid growth and there is a risk that operations and practices adopted at earlier stages of the Company's development are no longer appropriate. This risk is mitigated by the Board and Senior Management meeting on a regular basis to discuss operational and commercial matters, and review detailed KPIs on a weekly and monthly basis. On 1 March 2017 three new directors were appointed and an Operational Board formed to formally support the domestic and international growth strategy, and to reduce any over-dependence on the CEO, CFO and CCO.

The Group and Company face normal financial risks in relation to the availability of sufficient and appropriate funds to meet the business needs. The business reviews its' requirements on a regular basis and manages its position in good time using appropriate funding options, usually provided by its bankers, HSBC.

The finance team monitors and manages exposure to foreign exchange and interest rates.

Key Performance Indicators ('KPIs')

In addition to the usual day-to-day interactions of running a business, Senior Management hold weekly meetings, and the Board receives weekly KPIs and a comprehensive monthly reporting pack. Weekly review focuses on:

- sales and profit across a comprehensive range of bases;
- stock profitability and stock-turn;
- marketing expenditure and return; and
- historic and forecast cash-flow analysis.

The Company reports annual KPIs and has made solid progress on both its Financial and Commercial KPIs:

Financial KPIs

	FY17	FY16
Revenue	£56.1m	£35.5m
European Revenue	£21.3	£9.5m
Operating profit	£3.2m	£1.2m
PBT	£3.0m	£1.13m
Cash at year end	£2.9m	£3.5m

Commercial KPIs

	FY17	FY16
Website visitors	12.6m	10.1m
Conversion rate	2.75%	2.28%
Average order value	£124	£116
Active customers	340,000	226,000
Products listed	37,122	31,500

These results have been delivered by the continued execution of the Group's strategy, and beginning to invest the growth capital raised on IPO in its platform, people and operations.

Strategic Report *(continued)*

Investing for the future

Our recent focus has been on improving our customer proposition alongside removing the next layer of barriers to growth, by ensuring our operational facilities and systems can support our medium and long-term ambitions.

Office space

Our staff are central to our success, and in order to build our teams and support the expansion of the business, we have an immediate requirement for additional UK office space. As such we were very pleased to announce in May 2017 the £5.3m freehold acquisition of a 50,000 sq ft property at Holgate Park in York, which will become our long-term UK headquarters. The new site will provide the flexibility and capacity we require for ongoing growth, whilst causing minimal upheaval for existing staff. The transaction completed on 30th June 2017.

The acquisition will be 100% debt funded with new debt facilities, providing significant cost savings when compared with leasing an equivalent building (should one have been available), and allowing for further expansion as required. To ease the transitional impact as we grow into the property, we have agreed a short-term lease-back arrangement with the vendor CPP Group Plc for half of the building and the Board expects this will cover our interest costs for the first 12 months following completion on 30 June 2017.

Distribution Expansion

Vacating our current office will increase our space for UK warehousing related activities, enabling the business to continue to extract good value from the existing site until the lease expires in June 2020.

A core part of our growth strategy has been to invest in expanding our presence and further enhancing the customer service proposition in Europe. Having delivered 124% growth in European revenues during the year, now representing 38% of the Group's revenue, we remain committed to continued investment, thereby underlining our confidence in the region's long term strategic value to the Group in helping us to build scale and shareholder value.

Our Swedish distribution centre became operational in November 2016, and I am pleased to report is performing well. We have successfully reduced our delivery timescales across Scandinavia, and reduced our courier costs across a wide range of products, improving the overall customer offer. Our German distribution centre began dispatching orders at the end of February 2017, and will be scaled up throughout the year to enhance our proposition across central Europe, whilst providing additional distribution capacity.

Showrooms

On 8 May 2017 we opened a showroom attached to our Swedish distribution centre, and in addition to serving the local Stockholm market, it is already helping us to secure new procurement opportunities. For example, we have recently been appointed as the Scandinavian distributor for Behringer, one of the world's largest music equipment brands. We expect to open our German showroom by Autumn 2017.

Systems development

The acquisition of our software development team completed on 1 January 2017, and is already allowing us to achieve more, react faster to developing trends, and further scale our systems to ensure our growth is underpinned by a robust, class leading e-commerce platform.

Examples of new features deployed during FY17 include the integration of multiple hubs across many countries to automatically select the most appropriate dispatch location, international 'click & collect', shopping basket and checkout enhancements, mobile website improvements, and website cloudification. Our objective is continual innovation, and we have a pipeline of new features and upgrades to deploy during the next 12 months.

International expansion

In addition to launching our European distribution network, we have enabled delivery to another 150 countries during the last year, and whilst at the early stages of development, it is clear our business model is relevant to customers all around the world. As the year progresses we will develop our world-wide proposition, and increase our international presence wherever there is an opportunity.

Product range extension

Own-brand products continue to be a key component of our success, and I am extremely pleased with the progress we have made, adding new products and building on existing ranges to increase our own-brand revenue by 58% during the year to £14.5m.

Across all our ranges we currently list more than 37,000 products, up 37% since IPO, but we still see opportunities to grow this significantly, and will achieve this by further expanding our team of specialist buyers.

Intelligent marketing

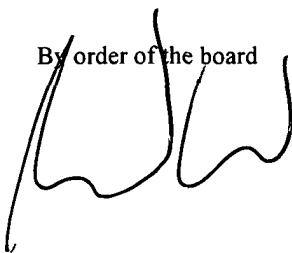
With in excess of 12 million website visitors, conversion rates improving by 47 bps, active customer numbers increasing to more than 339,000, and 39% more repeat customers than a year earlier, our marketing strategy has been highly effective.

However, there is much more to achieve, and our focus for the year ahead will be on improving our social media activities, particularly on mobile, and delivering a more personalised experience for our existing customers and website visitors.

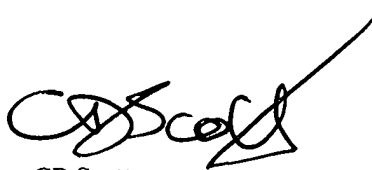
Current trading and outlook

We have a strong record of targeted investment driving growth and shareholder returns. Our momentum across the business, but particularly in Europe, gives us the confidence to accelerate investment in infrastructure in order to scale-up further. The associated investment of c.£1 million will mean profitability in 2017/18 will be weighted toward the second half of the financial year. The business continues to trade in line with our expectations, and our current investment strategy reinforces the confidence we have in our prospects for this year and beyond.

By order of the board



AP Wass
Director



CD Scott
Director

18 October 2017

Directors' report

The Directors present their report and the audited financial statements for the year ended 28 February 2017.

Research and development

The Group capitalised £1.48m during the year (FY16: £932,000) of software development costs relating to the in-house ecommerce software platform.

Proposed dividend

The directors do not recommend the payment of a dividend (FY16: £1.82 million).

Directors

The directors who held office during the year were as follows:

Mr Andrew P Wass

Mr Christopher D Scott

Mr Gareth J Bevan

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Employees

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

Political contributions

The Group made no political donations or incurred any political expenditure during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' report *(continued)*

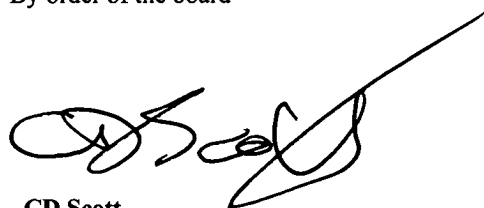
Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on pages 1-4.

Auditor

KPMG LLP has been Group auditor since 2012 and the Audit Committee has decided it appropriate to conduct a competitive tender process for audit services. In the mean-time KPMG were re-appointed Group and Company auditors at the Annual General Meeting on 28 July 2017.

By order of the board

A handwritten signature in black ink, appearing to be 'CD Scott', with a long, sweeping horizontal line extending to the right.

CD Scott
Director and Company Secretary

Kettlestring Lane
Clifton Moor
York
YO30 4XF

18 October 2017

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GEAR4MUSIC LIMITED

We have audited the financial statements of Gear4music Limited for the year ended 28 February 2017 set out on pages 10 to 31. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Gear4music Limited (*continued*)

Matters on which we are required to report by exception

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

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



Johnathan Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Street

Sovereign Square

Leeds

LS1 4DA

25 October 2017

Profit and Loss Account and Other Comprehensive Income
for the year ended 28 February 2017

	<i>Note</i>	2017 £000	2016 £000
Turnover	2	56,128	35,489
Cost of sales		(40,975)	(26,303)
Gross profit		15,153	9,186
Administrative expenses		(11,996)	(8,015)
Other operating income	3	40	35
Operating profit		3,197	1,206
Other interest receivable and similar income	7	-	2
Interest payable and similar charges	8	(175)	(80)
Profit on ordinary activities before taxation		3,022	1,128
Tax on profit on ordinary activities	9	(266)	(93)
Profit for the financial year		2,756	1,035

All of the above relates to continuing operations.

The company has no recognised gains or losses other than those included in the profit and loss account above, and therefore no separate statement of comprehensive income has been prepared.

The notes on pages 13 to 31 form an integral part of these financial statements.

Balance Sheet
at 28 February 2017

	<i>Note</i>	2017 £000	£000	2016 £000	£000
Fixed assets					
Intangible assets	10		4,402		1,949
Tangible assets	11		1,123		1,239
Investments	12		28		-
			<hr/>		<hr/>
			5,553		3,188
Current assets					
Stocks	13	11,686		6,906	
Debtors	14,20	1,913		735	
Cash at bank and in hand	15	2,913		3,537	
		<hr/>		<hr/>	
		16,512		11,178	
Creditors: amounts falling due within one year	16	(9,867)		(5,978)	
		<hr/>		<hr/>	
Net current assets			6,645		5,200
			<hr/>		<hr/>
Total assets less current liabilities			12,198		8,388
Creditors: amounts falling due after more than one year	17	(7,982)		(7,272)	
Deferred tax liability	20	(222)		(67)	
		<hr/>		<hr/>	
					(7,339)
Net assets			<hr/>		<hr/>
			3,994		1,049
Capital and reserves					
Called up share capital	21		58		58
Share premium account			147		147
Capital contribution reserve			455		266
Profit and loss account			3,334		578
			<hr/>		<hr/>
Shareholders' funds			3,994		1,049
			<hr/>		<hr/>

18 October

These financial statements were approved by the board of directors on 2017 and were signed on its behalf by:



CD Scott
Director

Company registered number: 03113256

Statement of Changes in Equity

	Called up Share capital	Share Premium account	Capital Contribution Reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
Balance at 1 March 2015	58	147	71	1,364	1,640
Capital Contribution	-	-	195	-	195
Profit	-	-	-	1,035	1,035
Dividend	-	-	-	(1,821)	(1,821)
Balance at 28 February 2016	58	147	266	578	1,049

	Called up Share capital	Share Premium account	Capital Contribution Reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
Balance at 1 March 2016	58	147	266	578	1,049
Capital Contribution	-	-	189	-	189
Profit	-	-	-	2,756	2,756
Balance at 28 February 2017	58	147	455	3,334	3,994

Notes

(forming part of the financial statements)

1 Accounting policies

Gear4music Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014.

The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company's ultimate parent undertaking, Gear4music (Holdings) plc includes the Company in its consolidated financial statements. The consolidated financial statements of Gear4music (Holdings) plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Kettlestring Lane, Clifton Moor, York, YO30 4XF. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Gear4music (Holdings) plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 26.

Notes (continued)

1 Accounting policies (continued)

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The Company's business activities and position in the market are described in the Strategic Report on page 1. The Directors believe that given the Company has significant financial resources, and has demonstrated good growth in revenue and underlying profitability from operating activities, the Company is well placed to manage its business risks. Having duly considered these factors and having reviewed the forecasts for the coming year, the Directors have a reasonable expectation that the Company 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. Further relevant details are contained in the Strategic Report on pages 1 to 4.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

Notes (continued)

1 Accounting policies (continued)

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.15 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Notes (continued)

1 Accounting policies (continued)

1.6 Tangible fixed assets (continued)

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Plant and equipment 20-25% on reducing balance
- Fixtures and fittings 20-25% on reducing balance
- Motor vehicles 25% on reducing balance
- Computer equipment 3-5 years' straight line

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.7 Intangible assets, goodwill and negative goodwill

Software platform

Costs that are directly attributable to the creation of identifiable software are recognised as intangible assets.

Direct costs include consultancy and development costs, and exclude maintenance costs that are recognised as an expense as incurred.

Software development assets are held at historic cost less accumulated amortisation and impairment, and are amortised over their useful economic life.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Amortisation

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

Software Platform 3-8 years

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Purchased Goodwill 8 years

1.8 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the company.

At the acquisition date, the company recognises goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- directly attributable transaction cost.

Notes (continued)

1 Accounting policies (continued)

1.9 Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.11 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.12 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Staff Share Options Scheme

Staff are members of the Group share option scheme and the Group recharges an element of the cost to Gear4music Limited as an intercompany recharge.

Notes (continued)

1 Accounting policies (continued)

1.13 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.14 Turnover

Revenue from the sale of goods and is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods. Revenue is measured at the fair value of the consideration received, including freight charges and duty where applicable, excluding discounts, rebates, VAT and other sales taxes or duty. Carriage income is recognised on recognition of the related product sales. Returns are dealt with on receipt of the product into the warehouse, which triggers an automatic credit.

In the year ended 29 February 2016 the Company started to offer retail point of sale credit on orders over £250, through an agreement with an external credit provider. The Company does not retain any credit risk and commissions are recognised on recognition of the credit sale. In the year ended 29 February 2016 this income totalled £37,900.

1.15 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes (continued)

1 Accounting policies (continued)

1.16 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, [associates, branch, joint ventures] to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

	2017 £000	2016 £000
Turnover by product category		
Other-brand products	39,351	24,842
Own-brand products	14,449	9,164
Other	2,328	1,483
	<hr/>	<hr/>
Total turnover	56,128	35,489
	<hr/>	<hr/>
	2017 £000	2016 £000
Turnover by geographical market		
UK	34,865	26,016
Europe	21,263	9,473
	<hr/>	<hr/>
Total Turnover	56,128	35,489
	<hr/>	<hr/>

Notes (continued)

3 Other operating income

	2017 £000	2016 £000
Government grants	31	35
Net gain on disposal of tangible fixed assets	-	-
VAT reclaim	9	-
	<u>40</u>	<u>35</u>

Government grants comprise Regional Growth Fund assistance in acquiring certain capital items (2017: £27,888, 2016: £26,332), and grants available under the national apprenticeship scheme (2017: £3,000, 2016: £8,280). Grant conditions exist linked to job creation and these criteria have been satisfied.

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2017 £000	2016 £000
Auditor's remuneration - audit	43	28
Auditor's remuneration - tax	35	3
	<u>78</u>	<u>31</u>

5 Staff numbers and costs

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

	Number of employees 2017	2016
Administration	84	57
Selling and Distribution	120	79
	<u>204</u>	<u>136</u>

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	3,665	2,484
Social security costs	299	194
Share Based Payments	82	8
Contributions to defined contribution plans	32	13
	<u>4,078</u>	<u>2,699</u>

Notes (continued)

6 Directors' remuneration

	2017 £000	2016 £000
Directors' remuneration	438	396
Company contributions to money purchase pension plans	5	4
	<u>443</u>	<u>400</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £185,288 (2016: £179,000), and company pension contributions of £2,467 (2016: £2,467) were made to a money purchase scheme on his behalf.

	Number of directors 2017	2016
Retirement benefits are accruing to the following number of directors under: Money purchase schemes	<u>3</u>	<u>3</u>

7 Other interest receivable and similar income

	2017 £000	2016 £000
Total interest receivable and similar income	<u>-</u>	<u>2</u>

8 Interest payable and similar charges

	2017 £000	2016 £000
Bank interest	30	26
Finance leases	17	21
Net foreign exchange loss	(67)	3
Unwind of Discount	195	30
	<u>175</u>	<u>80</u>
Total other interest payable and similar charges	<u>175</u>	<u>80</u>

Notes (continued)

9 Taxation

Recognised in the profit and loss account

	2017 £000	2016 £000
<i>UK corporation tax</i>		
Current tax on income for the period	110	170
Group relief	-	(53)
Adjustments in respect of prior periods	-	(117)
	<u>(110)</u>	<u>-</u>
<i>Deferred tax (see note 20)</i>		
Origination and reversal of timing differences	(252)	24
Reduction in tax rate	(2)	(117)
Adjustments in respect of prior periods	98	-
	<u>(266)</u>	<u>(93)</u>
Tax on profit on ordinary activities	<u><u>(266)</u></u>	<u><u>(93)</u></u>

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit for the year	2,756	1,035
Total tax expense	266	93
	<u><u>3,022</u></u>	<u><u>1,128</u></u>
Profit excluding taxation		
Tax using the UK corporation tax rate of 20% (2016: 20%)	604	226
Depreciation in excess of capital allowances	-	(1)
Difference between current and deferred tax rates	(48)	(11)
Non-deductible expenses	64	2
Group Relief	(43)	(53)
Over provided in prior years – deferred tax	(99)	(70)
Additional deduction for R&D	(212)	-
	<u><u>266</u></u>	<u><u>93</u></u>
Total tax expense included in profit or loss		

The corporation tax rate applicable to the company was 20% in the years ending 28 February 2017 and 29 February 2016. Reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 28 February 2017 has been calculated based on these rates.

Notes (continued)

10 Intangible assets

	Software platform £000	Purchased Goodwill £000	Total £000
Cost			
Balance at 1 March 2016	2,700	-	2,700
Additions	1,478	1,456	2,934
	<hr/>	<hr/>	<hr/>
Balance at 28 February 2017	4,178	1,456	5,634
	<hr/>	<hr/>	<hr/>
Amortisation and impairment			
Balance at 1 March 2016	751	-	751
Amortisation for the year	451	30	481
	<hr/>	<hr/>	<hr/>
Balance at 28 February 2017	1,202	30	1,232
	<hr/>	<hr/>	<hr/>
Net book value			
At 1 March 2016	1,949	-	1,949
	<hr/>	<hr/>	<hr/>
At 28 February 2017	2,976	1,426	4,402
	<hr/>	<hr/>	<hr/>

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

Acquisitions in the current period

On 1 January 2017, the Company acquired a part of a software development business, purchasing trade and assets for £1.45m, satisfied in cash on a deferred consideration basis. The acquisition brings the out-sourced software development team responsible for the Company's bespoke ecommerce platform, into the Company.

The amounts recognised in respect of the purchase consideration and goodwill are set out below and subject to fair value adjustment on the date of acquisition, as the consideration was £18,000 for identifiable PPE assets payable on completion, and £1.5m payable in 15 quarterly instalments beginning on 1 January 2017.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Recognised values on acquisition £000
Assets acquired:	
Property, plant and equipment	18
	<hr/>
Identifiable assets	18
Goodwill	1,456
	<hr/>
	1,474
	<hr/>

Notes *(continued)*

Consideration paid:	
Initial cash price paid	118
Acquisition Costs	25
Deferred consideration at fair value	1,331
	<hr/>
Total consideration	1,474
	<hr/> <hr/>

Contingent consideration

The £1.5m deferred consideration is contingent upon the team leader not performing services or being otherwise engaged by the vendor. The consideration is not automatically forfeited if the team leader leaves the employment of the Group. The Directors believe 100% of the consideration will be payable.

Acquisition related costs

The Company incurred acquisition related costs of £25,000 relating to legal advice.

Notes (continued)

11 Tangible fixed assets

	Computer Equipment £000	Plant and Equipment £000	Fixtures & fittings £000	Total £000
Cost				
Balance at 1 March 2016	329	463	1,464	2,256
Additions	79	-	166	245
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 28 February 2017	408	463	1,630	2,501
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation and impairment				
Balance at 1 March 2016	219	180	618	1,017
Depreciation charge for the year	51	107	203	361
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 28 February 2017	270	287	821	1,378
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 1 March 2016	110	283	846	1,239
	<hr/>	<hr/>	<hr/>	<hr/>
At 28 February 2017	138	176	809	1,123
	<hr/>	<hr/>	<hr/>	<hr/>

Leased plant and machinery

At 29 February 2017 the net carrying amount of tangible fixed assets leased under a finance lease was £232,000 (2016: £423,000). The leased equipment secures lease obligations (see note 18).

Security

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

12 Investments in subsidiaries

Subsidiaries	Registered office address	Registered number	Class of shares held	Ownership
Cagney Limited	Kettlestring Lane, Clifton Moor, York, YO30 4XF	04493300	Ordinary	100%
Gear4music Sweden AB	Tallbacksgatan 16 B, 195 72 Rosersberg, Stockholm County, Sweden	559070-4762	Ordinary	100%
Gear4music GmbH	c/o BMH Brautigam&Partner Rechtsanwälte, Schluterstr. 37, 10629 Berlin, Germany	HRB 29067	Ordinary	100%
Gear4music Norway AS	PO Box 2734, Solli, 0204 Oslo, Norway	917 313 210	Ordinary	100%

On 15 July 2016 and 7 October 2016 respectively, the Company set-up Swedish ('Gear4music Sweden AB') and German ('Gear4music GmbH') subsidiaries to operate local Distribution-centres and showrooms. Initial investment in share capital was £4,550 in Sweden and £21,660 in Germany.

On 10 October 2016, the Company set-up a Norwegian subsidiary, 'Gear4music Norway AS', and this company remained dormant at 28 February 2017. Initial investment in share capital was £2,806.

All Group companies have 28 February financial year-ends. Cagney Limited and Gear4music Norway AS are dormant companies.

Notes (continued)

13 Stocks

	2017 £000	2016 £000
Finished goods	11,686	6,906

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £38m (2016: £24.7m). The write-down of stocks to net realisable value amounted to £69,500 (2016: £15,000).

14 Debtors

	2017 £000	2016 £000
Trade debtors	1,130	581
Prepayments and accrued income	204	154
Amounts owed to group undertakings	579	-
	<u>1,913</u>	<u>735</u>

Trade debtors includes cash lodged with payment providers and UK and International education and trade accounts. Standard terms are 30-days and over 90% of the ledger is within terms.

15 Cash and cash equivalents/ bank overdrafts

	2017 £000	2016 £000
Cash at bank and in hand	2,913	3,537

16 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Bank loans and overdrafts (see note 18)	2,520	642
Obligations under finance leases (see note 19)	106	189
Trade creditors	4,901	3,691
Taxation and social security	913	488
Other creditors	27	27
Accruals and deferred income	1,400	941
	<u>9,867</u>	<u>5,978</u>

Notes (continued)

17 Creditors: amounts falling after more than one year

	2017 £000	2016 £000
Obligations under finance leases (see note 19)	24	130
Government Grants	31	59
Accruals and deferred income	1,038	-
Amounts owed to group undertakings measured at fair value	6,889	7,083
	<u>7,982</u>	<u>7,272</u>

The loan from Group undertakings is repayable in 12 months and 1 day from the year end. No interest is charged on the balance.

18 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2017 £000	2016 £000
Creditors falling due within less than one year		
Secured bank loans	2,520	642
	<u>2,520</u>	<u>642</u>

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2017 £000	2016 £000
Trade Finance loans	£	2.70%	2017	180-days after drawdown	2,520	642
					<u>2,520</u>	<u>642</u>

Notes *(continued)*

19 Other interest-bearing loans and borrowings

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2017 £000	Minimum lease payments 2016 £000
Less than one year	106	189
Between one and five years	24	130
More than five years	-	-
	<hr/> 130 <hr/>	<hr/> 319 <hr/>

20 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2017 £000	2016 £000
Accelerated capital allowances	222	67
Tax liabilities / (assets)	<hr/> 222 <hr/>	<hr/> 67 <hr/>

Notes (continued)

21 Capital and reserves

Share capital

	2017 £000	2016 £000
<i>Allotted, called up and fully paid classified on shareholders' funds</i>		
57,692 ordinary shares of £ 1 each	58	58
	<u>58</u>	<u>58</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 £000	2016 £000
Less than one year	433	283
Between one and five years	1,139	1,603
More than five years	-	-
	<u>1,572</u>	<u>1,886</u>

During the year £270,841 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £262,445).

23 Commitments

At 29 February 2016 there was a contractual minimum spend arrangement in place for £458,000 relating to a contract for software development services of the Group's ecommerce platform. On 1 January 2017 this arrangement was terminated on acquisition of the software development team.

Notes *(continued)*

24 Related parties

There are three incentive schemes in place – an Employees EMI scheme, a Directors EMI scheme relevant to Chris Scott and Gareth Bevan, and a Directors cash bonus plan relevant to Andrew Wass who, by virtue of his 39% shareholding, is cash rather than equity rewarded.

The equity settled share option plans are for qualifying employees of the Group, and options are settled in equity in the Gear4music (Holdings) Plc and subject to vesting conditions.

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

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

Employee EMI Plan

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

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

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

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

Director EMI Plan

The Remuneration Committee has responsibility for the operation of the Director EMI Plan and may grant share options over shares to eligible employees, and retains discretion as to the operation of the plan.

Executive Directors of the Company are eligible to participate in the Director EMI Plan. Participation is at the discretion of the Remuneration Committee.

Awards under the Director EMI may be exercisable at the end of the vesting period subject to meeting EPS-based targets between the date of grant and vest, and subject to service conditions.

Awards will be satisfied by the issue of new shares. The Company will grant a discretionary cash bonus to option holders of up to 25% of their annual salary at the time of award, deferred for a period of two-years.

Director Cash Plan

The Remuneration Committee has responsibility for the operation of the Director Cash Plan and may grant cash bonus awards over shares to eligible employees, and retains discretion as to the operation of the plan.

Executive Directors of the Company are eligible to participate in the Director EMI Plan. An executive director who participates in the Director EMI Plan is not eligible to participate in the Director Cash Plan. Participation is at the discretion of the Remuneration Committee.

Awards under the Cash plan are not subject to any performance conditions. Awards will be exercisable at the end of the relevant vesting period subject to EPS-based performance conditions and continued employment.

Awards will be settled in cash.

The cost of these options has been re-charged from Gear4music (Holdings) plc to Gear4music Limited.

Three directors are accruing retirement benefits under a money purchase scheme (2016: 3).

25 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Gear4music (Holdings) plc. The consolidated financial statements of the group are available to the public and may be obtained from Kettlestring Lane, Clifton Moor, York, YO30 4XF.

26 Accounting estimates and judgements

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

- The basis for stock provision and by association the carrying value – given the nature of the products sold, product margins earned, and trading terms with suppliers, Management currently provide for faulty returns retained for spare parts, and an estimate of the product loss to deal with problem stock. At 28 February 2017 the provision is £69,519 (FY16: £15,023) on gross stock of £11.76m (FY16:£6.92m). There are no other provisions made;
- An accrual for sales returns in the 30-day money back guarantee period is made based on historical returns and actual returns could vary from this estimate;
- Assumptions inherent in the goodwill impairment review – such calculations require judgement relating to the appropriate discount factors and the short, medium and long-term growth prospects. The impairment test carried out is based on five-year approved management forecast and a 10% discount rate.
- Direct software development costs are capitalised as intangible assets. Judgement is applied in assessing the flow of future economic benefit, and in identifying which costs are capitalised and which are written off as an expense. Alternative judgement could result in certain costs being expensed.
- The UEL of tangible and intangible fixed assets – Management selected depreciation and amortisation periods appropriate to the assets held, and consistent with industry and accounting norm. Amortisation periods were independently reviewed as part of an intangible asset valuation exercise on IPO. Different UELs could be applied that would change the P&L charge and Balance sheet carrying value.

27 Post Balance Sheet Events

- On 9th May 2017 the announcement was made that the Company has exchanged contracts to acquire a 50,000 sq. ft. freehold property at Holgate Park in York for £5.3 million. Completion is scheduled for 30 June 2017 and will become the Group's long-term head office, providing capacity for further expansion as required; the Purchase will be entirely debt-funded.