

Maplin Electronics Limited

**Annual report and financial
statements**

**Registered number 01264385
52 weeks ended 18 March 2017**

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Contents	Page
Directors and company information	1
Strategic report	2
Directors' report	6
Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements	8
<i>Independent auditor's report to the members of Maplin Electronics Limited</i>	9
Profit and loss account and other comprehensive income	11
Balance sheet	12
Statement of changes in equity	13
Notes to the financial statements	14

Directors and company information

Directors

O J Meakin
P Brigden
G Harris
L A Dunsmuir
S Fitzpatrick

Bankers

Wells Fargo Capital Finance (UK) Limited
90 Long Acre
London
WC2E 9RA

Lloyds Banking Group
14 Church Street
Sheffield
S1 1HP

Auditor

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Registered office

Brookfields Way
Manvers
Wath-upon-Deane
Rotherham
South Yorkshire
S63 5DL

Strategic report

Our financial year 2017 (20th March 2016 – 18th March 2017) was both a transformational and challenging year, during which the business progressed with our 3-year plan, Maplin's 2020 Vision. This strategy for the business was formulated in the previous financial year, following the appointment of three new directors and supporting teams.

Progression in the 2017 financial year towards delivering the 2020 Vision included foundational change across a number of areas: the highly successful launch of a trial 'store of the future' in Cambridge that sets the blueprint for our future store execution, opening new stores at Durham and Belfast Airport and extending our Forest Hill store, website improvements including a new search engine and systems integrator partner, the introduction of a new single customer view solution and launching a new fresh and contemporary brand identity.

We also established a new Connected Services function during the year, with an expansion of installation services (to cover a broader range of Smart Home products), launching an instant replacement plan with a partner, a home survey trial (where a Maplin colleague visits a customer's home to provide advice on Smart Home solutions) and while-you-wait mobile phone repairs in some of our stores.

In addition, there was substantial reorganisation of our support centres. We announced the closure of our Taiwan sourcing office (closed in April 2017), with the transfer of the merchandise and finance functions into a new office in Hong Kong. In addition, we moved our commercial & marketing functions from Rotherham into an additional floor in our London office (completed July 2017). We now have a "front office" of the commercial, marketing, ecommerce and digital function based together in London and a "back office" of the HR, finance, IT, warehouse & distribution and contact centre functions based in Rotherham. As a result of these moves, we have recruited over 60 new people into our support centres. These moves, coupled with the injection of great talent, is setting our business up for future success. The business was re-financed in October 2016, with subsequent amendments post year end which give the business a facility which is more appropriate in meeting the needs of the business and at a reduced cost.

The weakening of Sterling against the dollar and Far East currencies following the Brexit vote in June 2016 represents a challenge to the business both in FY17 and in FY18. We have adopted a strategy of sharing the cost increase of imported products between our supply base, re-sourcing, and passing some of the increase onto our customers in higher retail prices but inevitably we have seen a reduction in our gross margins as we seek to remain competitive in a challenging market. The full impact on profitability in the year to March 2017 was partially reduced by hedging which was put in place before the vote and we believe that the year on year impact of the currency movement is now largely behind us. Other trading challenges tackled during the year included reducing retail prices in some core areas where we had drifted out of line with the market, and clearing a reasonably substantial residue of old stock that had built up prior to summer 2016.

Sales in the financial year were £236m (2016: £235m), a +0.5% increase on the previous financial year reflecting an overall like for like sales increase of +0.3% in the financial year (see page 4 below for detail of how like for like sales are calculated). Against a backdrop of footfall decline on the high street, this was a credible performance in a year when consumer confidence decreased following the Brexit vote. Within these figures, and of most encouragement, our internet-influenced sales (home delivery and click & collect) increased by +19.4%, and they now represent 15.7% of total sales, up +2.5% vs. financial year 2016. This not only reflects the investment we continue to make in people and systems in our digital business, but also the value of being a multi-channel retailer. Within the internet numbers, click & collect grew by 24.1%, demonstrating that the internet is doing what we want it to, namely driving customers into stores. From a category perspective, we saw strong growth in Smart Home – with the category delivering 160.9% growth. Including broader ranges of CCTV & security, and combined these categories grew by 26.2% and now represent 12.5% of total sales.

Operating profit for the financial year was £2.4m (2016: £4.6m), a decline of £2.2m. It should, however, be noted that the figure for the previous financial year was reduced by £1.7m due to the creation of additional stock provisions that were classified as exceptional. The directors believe that a more meaningful measure is Earnings before interest, tax, depreciation and amortisation (EBITDA), as this measure of cash profit is used more widely when assessing underlying company performance. EBITDA was £8.9m (2016: £12.7m EBITDA). A reconciliation from operating profit to EBITDA can be seen on page 4. Within this, however, were a number of costs which the directors consider to be one-off (mainly associated with our support centre restructuring, rolling out our new brand identity and other one-off activities associated with delivering our 2020 Vision, such as developing our new store of the future in Cambridge). These amounted to £3.4m and as a consequence, the underlying EBITDA was £12.3m. Cash generation was strong in the year, with the business generating £12m in cash before interest payments.

Strategic report *(continued)*

During this period of significant investment in our digital proposition, our stores and our support centres, we expect capital expenditure to be of a similar magnitude to the cash generated by the business from operations. We have the ongoing support of our investors (Rutland Partners LLP), together with the required banking facilities following the re-financing with Wells Fargo. We are anticipating to have a similar level of investment in the financial year to March 2018.

Looking forward, our key differentiator remains the industry-leading advice that our 2,500 colleagues are able to give to our customers, now backed up by our broad services offering, covering home surveys, installation, finance and instant replacement plans. This leaves us uniquely placed to take full advantage of the opportunity that Smart Home presents Maplin. This market is forecast to grow exponentially over the next few years. It is, however, a complex market for consumers (multiple brands and ecosystems) and hence requires advice; and Maplin is already recognised as the high street retailer that most customers would go to for their Smart Home needs. The start that we have made in this area in the financial year to March 2018 leaves us confident in our ability to remain the market leader on the high street in this growth area.

In order to deliver the 2020 Vision plan, with Smart Home and Connected Services at its heart, there still remains much to do. Key to this is re-formatting our stores, taking the learnings from our 'Store of the Future' trial in Cambridge. We have completed re-lays of 130 predominantly retail park stores to build upon our Smart Home leadership position. In addition, we have rolled out our Home Survey proposition during the course of the current year to provide our customers with a national service.

Notwithstanding the progress made on our strategic initiatives in Financial Year 2017 and in Financial Year 2018 to date, the Board remains mindful of the challenging trading environment in which the group operates particularly with regard to consumer confidence which, in common with the marketplace, has seen pressure on Like-for-Like sales within our business, the impact sterling's post Brexit devaluation has had on cost of goods and also the regulatory impact on our overhead base.

Principal activities

The principal activity of Maplin is the retail of electronic and electrical products and technology solutions. Maplin operates as a multi-channel retailer, with numerous routes to market, via stores, an ecommerce platform and mail order, servicing both the consumer and business markets.

Business model

Maplin operates as a niche retailer providing customers with technology solutions to everyday problems. We are differentiated by the nature of our broad range of products, predominantly in niche markets, and the unrivalled technical knowledge and expertise of our colleagues. Our colleagues are able to advise customers not only on the right product for them, but also their application and installation. The broad assortment of products include both innovative market technologies (such as Smart Home technology and drones), as well as legacy, older technologies no longer readily available elsewhere (such as VGA cables).

By combining the convenience of a network of 218 stores, with a fully integrated ecommerce offering, we are able to provide the ultimate in convenience for our customers and allow them to access the right product and the right advice in the quickest or most efficient way for them.

Strategic report *(continued)*

Business review and results

Trading performance

Total company sales for the 52 weeks ended 18 March 2017 were £236m (52 weeks ended 19 March 2016: £235m).

As highlighted above, we continue to invest in our digital capability both in people and systems development, with encouraging results during the year through this channel. We continue to invest in our colleagues, with ongoing training and coaching in both technical and selling skills, as well as in management and leadership development, through the Maplin Academy and Sensational Service programmes. During the year, we continued our investment in brand marketing, with a new brand identity launched in October 2016.

The results to date of this investment and associated change programme, coupled with the challenges following the Brexit vote, has been to deliver earnings before interest, tax, depreciation and amortisation (EBITDA) of £8.9m (52 weeks ended 19 March 2016: £12.7m).

A reconciliation between operating profit and EBITDA is as follows:

	52 weeks ended 18 March 2017 £'000	52 weeks ended 19 March 2016 £'000
Operating profit	2,416	4,590
Fair value provisions	-	1,742
Loss on disposal of tangible fixed assets	33	187
Depreciation of tangible fixed assets	4,852	5,077
Impairment of tangible fixed assets	200	356
Amortisation of intangible assets	1,400	708
EBITDA	8,901	12,660

The fair value provisions in the prior year related to additional stock provisions identified by management following a stock review program.

Ongoing investment

We will continue to invest in our digital channel, in both people and systems, to enhance our website and multi-channel customer journey, as we continue to build a fully integrated omni-channel proposition for our customers. Further, we will invest heavily in the rollout of our new store format, in order to support delivery of our strategy for market leadership of the Smart Home category.

Strategic report (continued)

Key performance indicators

The company uses numerous key performance indicators, both financial and non-financial to manage the business. Aside from key statistics such as Turnover, EBITDA, LFL% and GM% some important operational KPIs include;

	18 March 2017	19 March 2016
Stock days	154	157
Core Stock Availability	95.7%	96.8%
Company Sales LFL%	0.3%	-1.1%
Internet influenced sales as %age of Company Sales	15.7%	13.2%

Like for like sales figures are calculated each period, based on stores / channels which traded for the full 4 week accounting period in both the current and previous financial years. The company total like for like sales in each period are then accumulated to give full year numbers, and the percentage quoted above is the movement between these totals.

Principal risks and uncertainties

The biggest risk to the business in the foreseeable future remains consumer confidence, which has been further impacted by the Brexit vote, the associated inflation on imported goods and ongoing uncertainty resulting from the ongoing Brexit negotiations. We review our operating activities on a regular basis to ensure we continue to address customers' needs, as well as exploring and developing new opportunities within the markets we operate in.

The Group has processes and procedures in place to ensure compliance with all relevant environmental duties and regulations.

Cash and Financing

At the reporting date the Company had cash at bank of £6.4m (2016: £8.4m). These funds were principally generated through operations and are net of the significant amount of cash proceeds from operating activities that were reinvested back into the business. The Revolving Credit Facility (RCF) provided by Investec Bank Plc was fully repaid in the year, and replaced with a £35.0m senior debt and RCF facility provided by Wells Fargo Capital Finance (UK) Limited. At the year end, £2.8m of senior debt was outstanding (held in MEL Bidco Limited) and £2.9m was drawn on the RCF facility.

The Company has processes and procedures in place to ensure compliance with all relevant environmental duties and regulations.

Future developments

In FY18 we have continued our investment programme in improving our website, trialling new Services and refining 'Store of the Future' format, ahead of nationwide launches. The Board believes that this investment will continue to differentiate Maplin's offer against the backdrop of an increasingly challenged marketplace. Given the timing of the investments it anticipates that the benefits will arise in the latter part of FY18.

Signed on behalf of the board



Brookfields Way
Manvers
Wath-upon-Deerne
Rotherham
South Yorkshire
S63 5DL

L A Dunsmuir
Director

24 November 2017

Directors' report

The directors present their annual report and the audited financial statements for the 52 weeks ending 18 March 2017.

Directors and directors' interests

The directors who served during the period and up to the date of signing this report were as follows:

J B Cleland	(resigned 10 September 2016)
O J Meakin	
N A McGowan	(resigned 7 October 2016)
P Brigden	
G Harris	
L A Dunsmuir	
S Fitzpatrick	

Going concern

The Directors have prepared the Financial Statements on a going concern basis. This has been more fully explained in note 1.2 to the accounts.

Employees

It is the board's policy to pursue open communication with employees and, to this end, regular meetings are held with management to convey information about the business.

The Company gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Systems are in place to prevent discrimination. Where existing employees become disabled, it is the Company's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development opportunities where appropriate.

Dividends

During the period a dividend in specie of £9.5m was paid to the Company's immediate parent company, Maplin Electronics (Holdings) Limited, in the form of a receivable due from MEL Midco Limited (2016: £nil).

Political contributions

The Company made no political donations (2016: £nil) during the period.

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' report *(continued)*

Auditor

In accordance with Section 487 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



L A Dunsmuir
Director

Brookfields Way
Manvers
Wath-upon-Deane
Rotherham
South Yorkshire
S63 5DL

24 November 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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



KPMG LLP

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
United Kingdom

Independent auditor's report to the members of Maplin Electronics Limited

We have audited the financial statements of Maplin Electronics Limited for the 52 week period ended 18 March 2017 set out on pages 11 to 33. 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 Statement of directors' responsibilities set out on page 8, 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 18 March 2017 and of its loss for the period 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.

Independent auditor's report to the members of Maplin Electronics Limited
(continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial period 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 Directors' report:

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

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.



Claire Needham (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

24 November 2017

Profit and loss account and other comprehensive income
for the 52 weeks ended 18 March 2017

	<i>Note</i>	52 weeks ended 18 March 2017 £'000	52 weeks ended 19 March 2016 £'000
Turnover	2	235,818	234,550
Cost of sales		(124,666)	(124,859)
Gross profit		111,152	109,691
Distribution costs		(39,473)	(38,654)
Administrative expenses		(69,726)	(66,787)
Other operating income		463	340
Operating profit	3-5	2,416	4,590
Other interest receivable and similar income	6	10	18
Interest payable and similar charges	7	(6,467)	(6,426)
Other finance income/(costs)	8	183	(250)
Loss on ordinary activities before taxation		(3,858)	(2,068)
Tax on loss on ordinary activities	9	650	(933)
Loss for the financial period		(3,208)	(3,001)
Other comprehensive income		-	-
Total comprehensive income for the period		(3,208)	(3,001)

There are no recognised gains and losses other than the loss for the financial period stated above. The loss is derived entirely from continuing operations.

There is no difference between the loss on ordinary activities before taxation and the loss for the financial period stated above and their historical cost equivalents.

The notes on pages 14 to 33 form part of the financial statements.

Balance sheet
as at 18 March 2017

	<i>Note</i>	18 March 2017		19 March 2016	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	10		9,446		3,744
Tangible assets	11		21,791		24,105
Investments	12		17		17
			<hr/>		<hr/>
			31,254		27,866
Current assets					
Stock	13	50,226		44,683	
Debtors	14	59,862		64,802	
Financial assets		145		-	
Cash at bank and in hand		6,357		8,357	
		<hr/>		<hr/>	
		116,590		117,842	
Creditors: amounts falling due within one year	15	(127,549)		(111,101)	
		<hr/>		<hr/>	
Net current liabilities			(10,959)		6,741
			<hr/>		<hr/>
Total assets less current liabilities			20,295		34,607
Creditors: amounts falling due after more than one year	16	(8,936)		(10,294)	
Provisions for liabilities and charges					
Deferred tax liability	18	-		(350)	
Other provisions	19	(3,983)		(3,879)	
		<hr/>		<hr/>	
			(3,983)		(4,229)
			<hr/>		<hr/>
Net assets			7,376		20,084
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	21	420		420	
Share premium		429		429	
Profit and loss account		6,527		19,235	
		<hr/>		<hr/>	
Equity shareholders' funds			7,376		20,084
			<hr/>		<hr/>

The notes on pages 14 to 33 form part of the financial statements.

These financial statements were approved by the board of directors on 24 November 2017 and were signed on its behalf by:



L A Dunsmuir
Director

Registered number: 01264385

Statement of changes in equity
for the 52 weeks ended 18 March 2017

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 22 March 2015	420	429	22,236	23,085
Total comprehensive income for the period				
Loss for the period	-	-	(3,001)	(3,001)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(3,001)	(3,001)
Transactions with owners, recorded directly in equity				
Dividends paid	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
Balance at 19 March 2016	420	429	19,235	20,084

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 20 March 2016	420	429	19,235	20,084
Total comprehensive income for the period				
Loss for the period	-	-	(3,208)	(3,208)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(3,208)	(3,208)
Transactions with owners, recorded directly in equity				
Dividends paid	-	-	(9,500)	(9,500)
Total contributions by and distributions to owners	-	-	(9,500)	(9,500)
Balance at 18 March 2017	420	429	6,527	7,376

The notes on pages 14 to 33 form part of the financial statements.

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

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

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.

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.

These accounts present the results for the 52 weeks ended 18 March 2017. The comparative period is for the 52 weeks ended 19 March 2016.

The Company's ultimate parent undertaking, MEL Topco Limited includes the Company in its consolidated financial statements. The consolidated financial statements of MEL Topco Limited are available to the public and may be obtained from the Company's registered office address. 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 MEL Topco Limited 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.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except for derivative contracts which are measured at fair value. There are no areas of significant accounting judgement.

1.2 Going concern

The Company is part of MEL Topco Limited Group, which includes a number of holding companies and a trading subsidiary which predominantly trades as a retailer of electronic goods (Maplin Electronics Limited). The going concern assessment is performed over the Group as a whole and the disclosure below is in line with the Group financial statements (MEL Topco Limited). The Group referred to below is MEL Topco Limited and its fully owned subsidiaries, including Maplin Electronics Limited.

The Directors consider it appropriate to prepare these financial statements on a going concern basis, notwithstanding the consolidated net liabilities position of £31.6m. The forecasts used to perform this assessment reflect the downturn in like for like trading year to date, anticipated benefits from the investments made in our strategic initiatives, initiated cost saving plans and working capital reduction.

The bank facilities available to the Group (provided by Wells Fargo Capital Finance (UK) Limited) at the balance sheet date were as follows: Cashflow loan £2.9m (held in MEL Bidco Limited), revolving credit facility held by the Company £31.3m (of which £2.9m was drawn), and guarantees provided to Lloyds Banking Group by the Company to cover a duty deferment guarantee provided to HMRC and Cardnet merchant acquiring services of £0.8m. The combined facility limit is £35m.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern (continued)

Post the balance sheet date, an agreement has been made with Wells Fargo Capital Finance (UK) Limited to amend the terms detailing the amount available under the revolving credit facility, and the associated covenants. The overall facility limit remains at £35m, but the drawdown terms and covenant requirements are now more appropriate in meeting the needs of the business. Following the changes to the facility agreed after the balance sheet date, the Directors have reviewed the Group's cash position, cash flow forecasts and resultant covenants ruling the revolving credit facility and cashflow loan. This review has extended to November 2018, being 12 months from the date of signing the accounts. After sensitising the forecasts for various scenarios and taking account of further mitigating

actions that are available to the Group, the Directors believe that the Group can continue to operate within the facilities now in place and therefore continue to adopt the going concern basis in these accounts.

The group is forecast to remain cash generative at an operating activities level. Additionally, the Group owes loan notes and related accrued interest on loan notes totalling £93m, which is held by shareholders. In addition, the Group owes £2.9m in relation to a cashflow loan facility with Wells Fargo Capital Finance (UK) Limited. The Group is cash generative at an operating activities level.

Excluding shareholder loan note balances and the cashflow loan, the Group showed a net cash in hand position of £7m at 18 March 2017.

Based upon the forecasts for the 12 months, the directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the MEL Topco Limited group to continue as a going concern or its ability to continue with the current banking arrangements.

Post the balance sheet date, the redemption date of all series of loan notes (A1, A2, B1 and B2) has been extended from 30 June 2019 to 30 June 2022. This supports the directors' opinion that the loan note balance does not represent a cash liability in the foreseeable future, and that the potential settlement of this balance does not need to be factored into the assessment of going concern.

The Company owes £73.3m to group undertakings, due in less than one year, and the directors have received assurances that settlement will not be expected for a period of not less than 12 months from the date of approval of these financial statements.

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 recognised in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Investments in subsidiaries

These are separate financial statements of the Company. Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.6 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.7 Intangible assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses:

Amortisation

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

Computer software	3 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.

Intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that an intangible asset may be impaired.

1.8 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 1.13 below.

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

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, unless specified differently below. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. Assets are depreciated as follows:

Freehold buildings	- 2% per annum
Long leasehold property and improvements	- shorter of the break clause or end of lease term
Short leasehold property and improvements	- shorter of the break clause or end of lease term
Fixtures, fittings, tools and equipment	- 15% reducing balance
Computer equipment	- 33% on cost
Motor vehicles	- 25% on cost

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.

Notes (continued)

1 Accounting policies (continued)

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks and all other directly attributable costs.

1.10 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.

1.11 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.

1.12 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers less discounts and any provisions for returns. Sales are recognised on despatch.

1.13 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 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)

1.14 Taxation

Tax on the profit or loss for the period 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 period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on 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, 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 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. 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

	Total turnover	
	52 weeks ended 18 March 2017 £'000	52 weeks ended 19 March 2016 £'000
By destination:		
United Kingdom	226,959	227,307
Other	8,859	7,243
	<u>235,818</u>	<u>234,550</u>
By origin:		
United Kingdom	227,469	227,624
Other	8,349	6,926
	<u>235,818</u>	<u>234,550</u>

Notes (continued)

3 Expenses and auditor's remuneration

	52 weeks ended 18 March 2017 £'000	52 weeks ended 19 March 2016 £'000
<i>Included in profit/loss are the following:</i>		
Depreciation of owned assets	4,827	5,042
Depreciation of asset held under finance leases	25	35
Impairment of tangible fixed assets	200	356
Amortisation of intangible assets	1,400	708
Loss on disposal of fixed assets	33	187
Operating lease costs – land and buildings	21,681	21,151
Operating lease costs - other	239	206
Hire of plant and machinery	40	59
Exchange gains excluding revaluation of foreign currency derivatives	(2,123)	(328)
	<u> </u>	<u> </u>

Auditor remuneration:

	52 weeks ended 18 March 2017 £'000	52 weeks ended 19 March 2016 £'000
Amounts receivable by the auditor and their associates in respect of:		
Audit of these financial statements	46	45
Tax compliance	16	17
All other tax advisory services	44	15
Other assurance services	3	2
	<u> </u>	<u> </u>

4 Remuneration of directors

	52 weeks ended 18 March 2017 £'000	52 weeks ended 19 March 2016 £'000
Directors' emoluments	1,871	1,607
	<u> </u>	<u> </u>
Company contributions to money purchase pension schemes	61	33
	<u> </u>	<u> </u>

Notes (continued)

4 Remuneration of directors (continued)

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £484,000 (2016: £389,000), and company pension contributions of £30,000 (2016: £28,000) were made to a money purchase scheme on his behalf.

	Number of directors	
	52 weeks ended 18 March 2017	52 weeks ended 19 March 2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	5	5

5 Staff numbers and costs

The aggregate payroll costs (including directors) were as follows:

	52 weeks ended 18 March 2017 £'000	52 weeks ended 19 March 2016 £'000
Wages and salaries	37,476	35,751
Social security costs	2,813	2,591
Other pension costs	265	283
	<u>40,554</u>	<u>38,625</u>

The average number of full time equivalents employed by the Company (including directors) during the period, analysed by location, was as follows:

	Number of full time equivalents	
	52 weeks ended 18 March 2017	52 weeks ended 19 March 2016
UK & Ireland	1,711	1,754
Taiwan	7	12
	<u>1,718</u>	<u>1,766</u>

Notes *(continued)*

5 Staff numbers and costs

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

	Number of employees	
	52 weeks ended 18 March 2017	52 weeks ended 19 March 2016
UK & Ireland	2,533	2,587
Taiwan	7	12
	<u>2,540</u>	<u>2,599</u>

6 Interest receivable

	52 weeks ended 18 March 2017 £'000	52 weeks ended 19 March 2016 £'000
Bank interest receivable	<u>10</u>	<u>18</u>

7 Interest payable

	52 weeks ended 18 March 2017 £'000	52 weeks ended 19 March 2016 £'000
Interest payable to group undertakings	5,482	5,490
Bank overdraft / revolving credit facility	971	925
Interest on finance leases	7	11
Other interest payable	7	-
	<u>6,467</u>	<u>6,426</u>

8 Other finance income/(costs)

	52 weeks ended 18 March 2017 £'000	52 weeks ended 19 March 2016 £'000
Change in value of outstanding foreign exchange contracts	<u>183</u>	<u>(250)</u>

Notes *(continued)*

9 Taxation

Total tax expense recognised in the profit and loss account:

	52 weeks ended 18 March 2017		52 weeks ended 19 March 2016	
	£'000	£'000	£'000	£'000
<i>UK corporation tax</i>				
Current tax on income for the period	-		(581)	
Adjustments in respect of prior periods	(154)		82	
		(154)		(499)
<i>Group relief</i>				
Group relief payable	-		-	
Adjustments in respect of prior periods	(237)		-	
		(237)		-
<i>Foreign tax</i>				
Current tax on income for the period	102		102	
Adjustments in respect of prior periods	(11)		(85)	
		91		17
Total current tax		(300)		(482)
<i>Deferred tax</i>				
Origination / reversal of timing differences	(394)		1,396	
Effect of increased / decreased tax rate	(24)		117	
Adjustments in respect of prior periods	68		(98)	
Total deferred tax		(350)		1,415
Total tax		(650)		933

Notes (continued)

9 Taxation (continued)

Reconciliation of effective tax rate

	52 weeks ended 18 March 2017 £'000	52 weeks ended 19 March 2016 £'000
Loss after tax	(3,208)	(3,001)
Tax credit/(expense)	650	(933)
Loss before tax	(3,858)	(2,068)
Tax using the UK corporation tax rate of 20% (2016: 20%)	(772)	(414)
Expenses not deductible for tax purposes (primarily non-qualifying depreciation)	12	55
Depreciation on ineligible assets	296	-
Fixed asset timing differences	-	365
Short term timing differences	-	(38)
Adjustments to tax charge in respect of previous periods	(154)	82
Difference in tax rates for loss carry back	-	(28)
Adjustments to group relief in respect of previous periods	(237)	-
Overseas tax – prior year adjustments	(11)	(85)
Difference in overseas tax rates/overseas taxes	102	102
Losses on which deferred tax not recognised	-	875
Impact of rate change on deferred tax balances	(24)	117
Adjustments to deferred tax in respect of previous periods	68	(98)
Difference between current tax and deferred tax rates	70	-
Total tax	(650)	933

Factors affecting the tax charge for the future periods

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further 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.

Deferred tax balances are calculated based on the rate applicable when they are expected to unwind.

Notes (continued)

10 Intangible assets

	Computer software £000
Cost	
Balance at beginning of period	5,003
Other acquisitions – internally developed	7,096
Transferred from tangible fixed assets	41
	<hr/>
Balance at end of period	12,140
	<hr/>
Amortisation and impairment	
Balance at beginning of period	1,259
Amortisation for the period	1,400
Transferred from tangible fixed assets	35
	<hr/>
Balance at end of period	2,694
	<hr/>
Net book value	
At 19 March 2016	3,744
	<hr/>
At 18 March 2017	9,446
	<hr/>

Amortisation

The amortisation charge of £1,400,000 is recognised in administrative expenses in the profit and loss account (2016: £708,000 recognised in administrative expenses).

Included in computer software at 18 March 2017 is £4,684,292 (2016: £1,864,616) for additions relating to assets not yet in use against which no amortisation has been charged.

Notes (continued)

11 Tangible fixed assets

	Freehold land and buildings £'000	Leasehold property and improvements £'000	Fixtures, fittings, tools and equipment £'000	Computer equipment and motor vehicles £'000	Total £'000
Cost or valuation					
At beginning of period	245	43,631	21,674	7,974	73,524
Additions	-	525	1,915	356	2,796
Transferred to intangible fixed assets	-	-	-	(41)	(41)
Disposals	-	(14)	(156)	(5,022)	(5,192)
At end of period	245	44,142	23,433	3,267	71,087
Depreciation					
At beginning of period	102	28,571	13,564	7,182	49,419
Charge for the period	5	3,165	1,298	384	4,852
Transferred to intangible fixed assets	-	-	-	(35)	(35)
Disposals	-	(13)	(115)	(5,012)	(5,140)
Impairment	-	145	55	-	200
At end of period	107	31,868	14,802	2,519	49,296
Net book value					
At 18 March 2017	138	12,274	8,631	748	21,791
At 19 March 2016	143	15,060	8,110	792	24,105

The net book amount of fixed assets at 18 March 2017 includes an amount of £97,788 (2016: £nil) in respect of assets held under finance leases. The related depreciation charge for the period was £25,236 (2016: £34,652).

Leasehold property includes a long lease with a net book value at 18 March 2017 of £188,581 (2016: £193,709).

Included in leasehold property, fixtures and fittings and computer equipment at 18 March 2017 is £63,563, £298,883 and £30,334 respectively (2016: £101,299, £726,069 and £234,833) for additions relating to assets not yet in use against which no depreciation has been charged.

During the year an impairment charge has been recognised in respect of the tangible fixed assets of one loss making store. The total impairment charge of £200,000 (2016: £356,000, relating to three loss making stores) has been reflected within administrative expenses.

Notes (continued)

12 Investments

Shares in group
undertaking
£'000

At 18 March 2017 and 19 March 2016

17

The Company has the following investments in subsidiaries:

	Country of incorporation	Principal activity	Class and percentage of shares held
<i>Subsidiary undertaking</i> Maplin Electronics (HK) Limited*	Hong Kong	Buying, sourcing quality control and shipping of products	100% Ordinary shares

* Registered office address: Room 9B, 9th Floor, KOHO, No. 73-75 Hung To Road, Kwun Tong, Kowloon, Hong Kong

13 Stock

	18 March 2017 £'000	19 March 2016 £'000
Finished goods and goods held for resale	50,226	44,683

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £123,058,000 (2016: £124,021,000). The write-down of stocks to net realisable value amounted to £458,000 (2016: £3,238,000). The reversal of write-downs amounted to £156,000 as discussed below (2016: £111,000). The write-down and reversal are included in cost of sales. The reversal of write downs occurred in the normal course of business as selling prices are constantly reviewed for the large range of products that are sold each year.

The total carrying amount of stocks pledged as security for liabilities in the year amounted to £30,464,000 (2016: £36,048,000).

14 Debtors

	18 March 2017 £'000	19 March 2016 £'000
Trade debtors	1,721	1,696
Amounts due from group undertakings	48,776	53,525
Other debtors	92	479
Prepayments and accrued income	9,119	7,606
Corporation tax	154	1,496
	<u>59,862</u>	<u>64,802</u>

Notes (continued)

15 Creditors: amounts falling due within one year

	18 March 2017 £'000	19 March 2016 £'000
Bank loans	2,697	-
Trade creditors	34,847	26,848
Accruals and deferred income	12,480	14,037
Other creditors	1,433	1,479
Taxation and social security	3,017	2,668
Amounts payable under finance leases	57	59
Amounts due to group undertakings	73,018	65,972
Financial liabilities: Forward contracts for foreign currency	-	38
	<u>127,549</u>	<u>111,101</u>

16 Creditors: amounts falling due after more than one year

	18 March 2017 £'000	19 March 2016 £'000
Amounts payable under finance leases	64	28
Deferred income (lease incentives not yet recognised)	8,872	10,266
	<u>8,936</u>	<u>10,294</u>

17 Financial instruments

The main risks arising from the Company's financial instruments are liquidity risk, credit risk and foreign exchange risk.

Liquidity risk

Cash resources are largely and normally generated through operations. The Company's policy is to maintain a balance of funds sufficient to meet anticipated short term and long term financial requirements.

Credit risk

Management has a credit policy in place whereby risk is managed through an ongoing review of exposure to credit risk.

Foreign exchange risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than sterling. The currencies giving rise to this risk are primarily HK Dollars, US Dollars, New Taiwan Dollars and Euros.

The Company's policy is to cover significant foreign currency commitments in respect of HK Dollar and US Dollar trade payables by using a mixture of forward foreign currency contracts and options.

Notes (continued)

17 Financial instruments (continued)

Effective interest rates and maturity of liabilities For the 52 weeks ended 18 March 2017

	Fixed or variable rate	Effective Interest rate %	Total £'000	1 year or less £'000	1 – 2 years £'000	2 – 5 years £'000
Cash and cash equivalents	Variable	0.34	6,357	6,357	-	-
Revolving Credit Facility	Variable	2.01	(2,697)	(2,697)	-	-
Finance lease liabilities	Fixed	3.6	(121)	(57)	(27)	(37)
Intercompany loan payable to Maplin Electronics Group (Holdings) Limited	Fixed	10.0	(67,192)	(67,192)	-	-
			(63,653)	(63,589)	(27)	(37)

For the 52 weeks ended 19 March 2016

	Fixed or variable rate	Effective Interest rate %	Total £'000	1 year or less £'000	1 – 2 years £'000	2 – 5 years £'000
Cash and cash equivalents	Variable	0.5	8,357	8,357	-	-
Revolving Credit Facility	Variable	1.5	-	-	-	-
Finance lease liabilities	Fixed	3.6	(87)	(59)	(28)	-
Intercompany loan payable to Maplin Electronics Group (Holdings) Limited	Fixed	10.0	(61,710)	(61,710)	-	-
			(53,440)	(53,412)	(28)	-

Revolving Credit Facility and Bank loan

On 26 October 2016 MEL Bidco agreed a £35m facility with Wells Fargo Capital Finance (UK) Limited. The facility expires on 26 October 2021. The facility comprises a cash flow loan facility, guarantees provided to Lloyds Banking Group to cover a duty deferment guarantee provided to HMRC and Cardnet merchant acquiring services, and a revolving credit facility.

On 26 October 2016, MEL Bidco Limited repaid in full the outstanding senior loan facility from Investec Bank Plc, and received £3,500,000 under the cash flow loan facility from Wells Fargo Capital Finance (UK) Limited. The loan is repayable over two years, with the final repayment to be made on 1 October 2018.

Wells Fargo Capital Finance (UK) Limited has a debenture granted by MEL Midco Limited and each of its subsidiaries providing fixed and floating security over each subsidiary's assets, a share charge granted by Maplin Electronics Limited providing security over the shares of Maplin Electronics (HK) Limited, and an intercreditor deed subordinating the loan notes issued by MEL Midco Limited, together with the guarantees and security that support those loan notes and any intra-group loans outstanding between MEL Midco Limited and any of its subsidiaries.

Notes (continued)

17 Financial instruments (continued)

The guarantees provided to Lloyds Banking Group in respect of the duty deferment guarantee and the cardnet facility amounted to £850,000 at the period end.

Drawdowns under the revolving credit facility are secured against the assets of the Group, primarily inventory, as well as cash receivable from card acquirors and marketplaces. The guarantees held by Wells Fargo Capital Finance (UK) Limited are described above, and include a first charge on inventory and cash receivable from card acquirors and marketplaces. There was £2.9m drawn down on this facility at the period end (*at 19 March 2016 there was £nil drawn down on the previous facility agreed by Investec Bank Plc*). The amount available to draw against the facility is dependent on a number of factors including the value of eligible inventory and cash due from credit card acquirors and marketplaces, with a maximum value of £35m minus the outstanding cashflow loan balance and the guarantees mentioned above.

There was £2.9m drawn down on this facility at the period end held within Maplin Electronics Limited (*at 19 March 2016 there was £nil drawn down on the previous facility agreed by Investec Bank Plc*).

Derivative financial instruments

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Notes (continued)

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	18 March 2017 £000	19 March 2016 £000	18 March 2017 £000	19 March 2016 £000	18 March 2017 £000	19 March 2016 £000
Difference between accumulated depreciation and amortisation and capital allowances	-	-	683	636	683	636
Other timing differences	(262)	(286)	-	-	(262)	(286)
Losses carried forward	(402)	-	-	-	(402)	-
Losses brought forward	(19)	-	-	-	(19)	-
Tax (assets) / liabilities	(683)	(286)	683	636	-	350

In addition to the deferred tax asset above, the Company has unrecognised deferred tax assets of £649,000 (2016: £491,000) relating to trading losses carried forward. These have not been recognised on the basis that their recoverability is uncertain and depends on suitable profits being generated against which the losses can be utilised.

19 Provisions for liabilities and charges

	Property provisions £'000
At beginning of period	3,879
Charge in the period	257
Utilised in the period	(153)
At end of period	3,983

The property provisions relates primarily to a dilapidations provision and an onerous lease provision. The dilapidations provision is built up by property over the life of each lease, with additional specific provisions made as necessary.

Cash spend is typically incurred around the lease end date if a schedule of dilapidations is agreed with the property landlord. The onerous lease provision has arisen as a result of identification of onerous leases where provision has been made for losses forecast to be made over the duration of the onerous lease.

Notes (continued)

20 Commitments

(a) Capital commitments at the end of the financial period, for which no provision has been made, are as follows:

	18 March 2017 £'000	19 March 2016 £'000
Contracted	-	-

(b) As at the period end the Company had total commitments under non-cancellable operating leases as set out below.

	18 March 2017 £'000	19 March 2016 £'000
Operating leases which expire:		
Within one year	1,075	652
In two to five years	30,780	28,975
In over five years	93,422	116,735
	<u>125,277</u>	<u>146,362</u>

21 Share capital

	2017		2016	
	No	£'000	No	£'000
<i>Allotted, called up and fully paid:</i>				
Ordinary shares of £1 each	70,000	70	70,000	70
Redeemable ordinary shares of £1 each	350,000	350	350,000	350
	<u>420,000</u>	<u>420</u>	<u>420,000</u>	<u>420</u>

The redeemable ordinary shares of £1 nominal value rank pari passu with the ordinary shares, except that the redeemable ordinary shares may be redeemed at par at the option of either the Company or the holder at any time.

Notes (continued)

22 Employee benefits

Maplin Electronics Limited, a wholly owned subsidiary of MEL Topco Limited, is the sponsoring employer of The Maplin Electronics Group Personal Pension Scheme, a defined contribution money purchase scheme. Of the pension cost charge for the period, £300,327 (2016: £313,533) represents contributions payable by the Group into the defined contribution scheme, and £4,543 (2016: £4,356) represents contributions payable for employees of the Taiwan branch into the Taiwanese government pension scheme. The remaining credit of £39,816 relates to the release of the accrual for the fund deficit on the Taiwan branch defined benefit pension scheme, detailed below.

The Taiwan branch of Maplin Electronics Limited is the sponsoring employer of a defined benefit pension scheme. As a result of the decision to close the Taiwan branch, effective 18 March 2017, the accrual for the fund deficit was released during the period. At 19 March 2016 the defined benefit pension scheme had a fund deficit of £120,000, for which a provision of £119,000 was made within Accruals and deferred income. The credit for the 52 weeks ended 18 March 2017 of £39,816 represented the release of the accrual for the fund deficit (2016: £35,000 representing the release of an over-accrual for contributions payable by the Group to the fund).

23 Ultimate parent company and parent undertaking of larger group of which the company is a member

The directors consider that the ultimate controlling party is Rutland Partners LLP as a result of the size of their shareholding in MEL Topco Limited.

The Company is a subsidiary undertaking of Maplin Electronics (Holdings) Limited.

The smallest and largest group in which the results of the Company are consolidated is that headed by MEL Topco Limited. The consolidated accounts of this Company are available to the public from the registered office.