

Company Registered Number: 02667809

WIGGLE LIMITED

Annual Report and Financial Statements

for the 52 weeks ended 31 December 2017

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Company Number: 02667809

WIGGLE LIMITED
Annual Report and Financial Statements
For the 52 weeks ended 1 January 2017

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Company Number: 02667809

WIGGLE LIMITED
Annual Report and Financial Statements
For the 52 weeks ended 31 December 2017

Officers and Professional Advisors

DIRECTORS

S Barden (resigned 27 April 2017)
G David (resigned 12 May 2017)
M Davy (appointed 9 May 2018)
W Kernan (appointed 6 March 2017)
B McBride (resigned 9 May 2018)
S Michell (appointed 3 April 2017, resigned 2 November 2017)
N Gresham (appointed 2 November 2017)

REGISTERED OFFICE

1000 Lakeside, Suite 310
Third Floor, N E Wing
Portsmouth, PO6 3EN

BANKER

HSBC Bank plc
165 High Street
Southampton, SO14 2NZ

SOLICITOR

Travers Smith LLP
10 Snow Hill
London, EC1A 2AL

AUDITOR

KPMG LLP
Gateway House
Tollgate
Chandler's Ford
Southampton, SO53 3TG

Strategic Report

The Directors present their report and the audited financial statements for the 52 weeks ended 31 December 2017.

Corporate Structure

Mapil Topco Limited and its subsidiary company's form the Mapil Topco Group of Companies ("the Group"). Wiggle Limited, Chain Reaction Cycles Limited and Bike24 GMBH are the main trading companies in the Group, in addition Wiggle Australia (Pty) Limited, Hotlines Europe Limited, Decade Europe Limited and Chain Reaction Cycles Retail Limited are also trading companies all controlled by Mapil Topco Limited ("the Group").

Wiggle Limited is a direct subsidiary of Ensco 503 Limited and is indirectly owned by Mapil Topco Limited.

Principal Activity

The Company's business is as an online retailer trading through a number of domains worldwide specialising in multi sport products; including cycling, running, swimming, outdoor, gym and nutrition, to inspire everybody, everywhere to experience the joy of sport. The business offers a wide range of equipment, clothing, accessories and sports events, which it ensures are competitively priced and matched against the market. Wiggle services customers across the globe from its operating facilities in the UK.

Business Review

On 28 August 2017 the trade and assets of Chain Reaction Cycles Limited were transferred to Wiggle Limited. Therefore the current and previous period results, whilst both for a 52 week period, are not comparable due to the fact that the current year contains four months of CRC brand online trade.

The Directors believe that the most appropriate measure of the Company's profitability is EBITDA and this is considered a key performance indicator. EBITDA is represented in the profit and loss account as Operating (loss) / profit before interest, depreciation, amortisation and impairment. For the current year, EBITDA was negative £1,612,000 (1 Jan 2017: positive £3,644,000) before taking account of exceptional costs. Loss before tax and exceptionals was £17,212,000 (1 Jan 2017: £3,225,000).

Revenue has increased to £259,187,000 (1 Jan 2017: £205,478,000), this will be partially driven by the inclusion of CRC trade for 4 months of the period.

The company has net liabilities of £8,378,000 (1 Jan 2017: assets of £13,416,000).

The transfer of the trade and assets of Chain Reaction Cycles Limited means that the Company has acquired the CRC website and all sales from both the Wiggle and the CRC website are now attributable to Wiggle Limited.

During the previous period Chain Reaction Cycles Limited was acquired by the Group, during the current year the trade and assets of Chain Reaction Cycles Limited was hived up into Wiggle Limited, this merger with Wiggle Limited and the acquisition of Bike24 by the Group, along with the continued support of customers and suppliers underline Wiggle, Chain Reaction Cycles and Bike24's position as a major global force in tri-sports and cycle.

The Board remain highly confident about the Company's prospects.

Financial Risk Management Objectives and Policies

The Company's activities expose it to a number of financial risks including currency risk, credit risk, liquidity risk and interest rate risk. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes. Further detail can be found in Mapil Topco Group consolidated accounts.

Currency risk

The Company's costs are predominantly in GBP whilst only around half of its turnover is denominated in GBP. The principal currencies received are Euros, Australian Dollars, US Dollars and Japanese Yen. This means that when GBP strengthens against other currencies, the GBP value of the sales in those currencies reduces. The Company manages this exposure as part of its day to day management of trading margins and profitability. Forward currency exchange contracts are used to actively mitigate this exposure.

Credit risk

The Company's principal financial assets are bank balances, cash and trade and other receivables. The Company's credit risk is low as it has limited trade receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance.

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WIGGLE LIMITED
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For the 52 weeks ended 31 December 2017

Strategic Report (continued)

This Strategic Report was approved by the Board on 27 September 2018

By order of the board:

A handwritten signature in black ink, appearing to read 'N Gresham', with a horizontal line extending to the right.

N Gresham
Director

1000 Lakeside, Suite 310
Third Floor N E Wing
Portsmouth, PO6 3EN

Directors' Report

The Directors present their report and the audited financial statements for the 52 week period ended 31 December 2017 (*1 Jan 2017: 52 week period ended 1 January 2017*). Wiggle Limited ("the Company"), Chain Reaction Cycles Limited and Bike24 GMBH are the main trading companies in the Group of companies controlled by Mapil Topco Limited ("the Group"), in addition Wiggle Australia (Pty) Limited, Hotlines Europe, Decade Europe Limited and Chain Reaction Cycles Retail Limited are also trading companies all controlled by Mapil Topco Limited ("the Group").

Wiggle Limited is a direct subsidiary of Ensco 503 Limited and is indirectly owned by Mapil Topco Limited.

Details of the Company's principal activity, performance, principal risks and uncertainties and risk management can be found in the Strategic Report on pages 2 to 3.

Going Concern

In adopting the going concern basis for preparing the financial statements, the Directors have considered the principal activities as well as the business risks, as set out in the Strategic Report. Key events which the Board have taken into account in reaching their assessment are set out below.

On 6 December 2017 the Group banking facilities with HSBC were refinanced with the maturity date of the debt extended to December 2020. The financial covenants have been re-set in March 2018 to take account of the ongoing synergy benefits being delivered throughout 2018 from the integration of Chain Reaction Cycles Limited being transferred to Wiggle Limited and are forecast to be met in the foreseeable future.

During the second half of the year the Group's shareholders extended £39.0m of loan notes to the Group with a further £17.5m of loan notes made available during March 2018. This investment was made to support the significant cash investment required to integrate Wiggle and CRC onto a single technical and operational platform, which is now completed. This demonstrates the continued support of the investors.

Detailed cash flow projections (reflecting base and reasonable downside scenarios) have been prepared which demonstrate the Group has sufficient financial resources and is forecast to trade within the revised financial covenants set out in the new agreements, though in the downside scenarios the headroom is reduced.

In addition the Company has obtained a letter of support from its parent Mapil Topco Limited, the directors have also assessed the external loans held by the parent company entities not included within these accounts and are comfortable that there are no repayments of any debt or interest falling due within the next 12 months that would affect the cash flow projections of this Group.

On the basis of their assessment of the Group's financial position the Company's Directors are confident that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

The Directors who held office during the period were as follows:

S Barden (resigned 27 April 2017)
G David (resigned 12 May 2017)
M Davy (appointed 9 May 2018)
W Kernan (appointed 6 March 2017)
B McBride (resigned 9 May 2018)
S Michell (appointed 3 April 2017, resigned 2 November 2017)
N Gresham (appointed 2 November 2017)

The Directors who held office at the end of the period had no disclosable interest in the shares of the Company.

The Group provides Directors' and Officers' insurance protection for all of the directors of the companies in the Group.

Shareholders

As set out in note 17, Wiggle Limited's parent company is Ensco 503 Limited and its ultimate parent company is Mapil Topco Limited. Bridgepoint is Mapil Topco Limited's major shareholder and has been since 2011.

Bridgepoint holds the investment within its Bridgepoint Europe IV Fund. Ian Dugan and Martin Dunn are both directors of Mapil Topco Limited and monitoring the fund's investment on behalf of Bridgepoint.

People and colleagues**Equal opportunities**

The Group values diversity and aims to ensure the effective use of colleagues in the best interest of both the Group and its people. It is the policy of the Group to provide employment and development opportunities to persons regardless of age, race, colour, religion, sex, sexual preference, marital status, nationality, ethnic origin or disability.

Employee engagement and participation

Employees are encouraged to participate actively in the business and with its strategy. Regular updates are held to inform employees about the business performance and the main factors that delivered success, including financial and economic factors affecting the company. These include regular updates and conferences where the Group communicates and engages with all employees on its key priorities, business plans and the ongoing development of its brands.

Employees are invited to participate in regular employee surveys to facilitate and aid consultation on decisions that affect their interests and concerns as employees.

Directors' Report (continued)

Health and Safety

The safety of our operations is of great importance to us. There is a comprehensive structure of processes and procedures to mitigate the health and safety risk, including risk assessment, accident reporting and nominated health and safety representatives across the business.

Charitable and Political Contributions

The Company is committed to supporting the local community, both in respect of employment and social responsibility. We encourage employees to take part in various community initiatives and charity events. The Company made direct charitable contributions of £nil (1 Jan 2017: £7,637) during the period.

The Company made no political contributions during the period.

Proposed Dividend

The Directors do not recommend the payment of a dividend (1 Jan 2017: £nil).

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.

Auditor

KPMG LLP were reappointed as the Company's Auditor for the period. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

The Directors' Report was approved by the Board on 27 September 2018

By order of the board:


N Gresham
Director

1000 Lakeside, Suite 310
Third Floor N E Wing
Portsmouth, PO6 3EN

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Reports 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 101 *Reduced Disclosure Framework*.

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF WIGGLE LIMITED**Opinion**

We have audited the financial statements of Wiggle Limited ("the company") for the 52 week period ended 31 December 2017 which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including *FRS 101 Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; 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

Under the Companies Act 2006, we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.


The purpose of our audit work and to whom we owe our responsibilities

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF WIGGLE LIMITED (CONTINUED)



James Childs-Clarke (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House
Tollgate
Chandler's Ford
Southampton
SO53 3TG
United Kingdom

 September 2018

Profit and loss account and other comprehensive income
For the 52 weeks ended 31 December 2017
(2017: For the 52 weeks ended 1 January 2017)

		Trading results	Non-recurring items	Total	Trading results	Non-recurring items	Total
		31 December 2017	31 December 2017	31 December 2017	1 January 2017	1 January 2017	1 January 2017
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	3	259,187	-	259,187	205,478	-	205,478
Cost of sales		(188,209)	-	(188,209)	(149,295)	-	(149,295)
Gross Profit		70,978	-	70,978	56,183	-	56,183
Selling and distribution expenses		(31,640)	(984)	(32,624)	(23,003)	-	(23,003)
Administrative expenses		(40,950)	(5,023)	(45,973)	(29,536)	(3,292)	(32,828)
Operating (loss) / profit before interest, depreciation, amortisation and impairment	4	(1,612)	(6,007)	(7,619)	3,644	(3,292)	352
Depreciation, amortisation and impairment	4	(6,805)	-	(6,805)	(5,012)	-	(5,012)
Management charges	6	(7,467)	-	(7,467)	(721)	-	(721)
Operating (loss)		(15,884)	(6,007)	(21,891)	(2,089)	(3,292)	(5,381)
Interest receivable and similar income	6	629	-	629	1	-	1
Interest payable and similar charges	6	(1,957)	-	(1,957)	(1,137)	-	(1,137)
(Loss) before tax		(17,212)	(6,007)	(23,219)	(3,225)	(3,292)	(6,517)
Taxation	7	(1,424)	1,156	(268)	658	(658)	-
(Loss) for the period		(18,636)	(4,851)	(23,487)	(2,567)	(3,950)	(6,517)
Other comprehensive income							
<i>Items that may be subsequently reclassified to the profit and loss:</i>							
Effective portion of changes in fair values of cash flow hedges, net of tax		1,693	-	1,693	(975)	-	(975)
Other comprehensive income / (expense) for the period		1,693	-	1,693	(975)	-	(975)
Total comprehensive income / (expense) for the period		(16,943)	(4,851)	(21,794)	(3,542)	(3,950)	(7,492)

All items within the income statement were derived from continuing operations.

The notes on pages 12 to 25 are an integral part of these financial statements.

Balance sheet
At 31 December 2017
(2017: At 1 January 2017)

		31 December 2017 £'000	1 January 2017 £'000
	Note		
Fixed assets			
Intangible assets	8	38,324	31,493
Tangible fixed assets	9	13,120	7,205
Deferred tax asset	7	-	376
Trade and other receivables	11	-	18,638
		<u>51,444</u>	<u>57,712</u>
Current assets			
Inventory	10	63,303	27,272
Trade and other receivables	11	109,652	6,584
Cash and cash equivalents		<u>7,519</u>	<u>6,619</u>
Total current assets		<u>180,474</u>	<u>40,475</u>
Creditors: amounts falling due within one year	12	<u>(156,597)</u>	<u>(57,862)</u>
Net current assets / (liabilities)		<u>23,877</u>	<u>(17,387)</u>
Total assets less current liabilities		75,321	40,325
Creditors: amounts falling due after more than one year	13	<u>(81,943)</u>	<u>(25,577)</u>
Provisions for liabilities and charges	14	<u>(1,756)</u>	<u>(1,332)</u>
Net (liabilities) / assets		<u><u>(8,378)</u></u>	<u><u>13,416</u></u>
Capital and reserves			
Share capital	15	1	1
Capital contribution		1,593	1,593
Profit and loss		<u>(9,972)</u>	<u>13,515</u>
Hedging reserve		-	<u>(1,693)</u>
Total equity		<u><u>(8,378)</u></u>	<u><u>13,416</u></u>

The notes on pages 12 to 25 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 27 September 2018.

Signed on behalf of the Board of Directors



N Gresham
Director

Statement of changes in equity
At 31 December 2017

	Share Capital £'000	Capital Contribution Reserve £'000	Retained Earnings £'000	Hedging Reserve £'000	Total Equity £'000
At 3 January 2016	1	1,593	20,032	(718)	20,908
Loss for the period	-	-	(6,517)	-	(6,517)
Effective portion of changes in fair value of cash flow hedges, net of tax				(975)	(975)
At 1 January 2017	1	1,593	13,515	(1,693)	13,416
Loss for the period	-	-	(23,487)	-	(23,487)
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	1,693	1,693
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	-	(23,487)	1,693	(21,794)
At 31 December 2017	1	1,593	(9,972)	-	(8,378)

Notes to the financial statements

1. General information

Wiggle Limited ("Company") is a private company incorporated in the United Kingdom on 3 December 1991 with company number 02667809. The registered address of the Company is 1000 Lakeside, Suite 310, Third Floor, N E Wing, Portsmouth, PO6 3EN, United Kingdom.

2. Summary of significant accounting policies

A summary of the significant accounting policies is set out below; these have been applied consistently in the financial period.

Statement of compliance

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 (FRS101) issued by the Financial Reporting Council and with those parts of the Companies Act 2006 applicable to companies reporting under FRS101.

Basis of preparation

The Company's ultimate parent undertaking, Mapil Topco Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Mapil Topco Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Companies House, Cardiff, CF14 3UZ.

In these financial statements, the company has applied the exemptions available under FRS101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, property, plant and equipment and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Mapil Topco Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS101 in its next financial statements.

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 the Group consolidated financial statements.

These financial statements are prepared on a going concern basis under the historical cost convention as modified by financial instruments at fair value through the profit and loss.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarity to fair value but are not fair value, such as net realisable value in IAS2 or value in use in IAS 36.

Going Concern

In adopting the going concern basis for preparing the financial statements, the Directors have considered the principal activities as well as the business risks, as set out in the Strategic Report. Key events which the Board have taken into account in reaching their assessment are set out below.

On 6 December 2017 the Group banking facilities with HSBC were refinanced with the maturity date of the debt extended to December 2020. The financial covenants have been re-set in March 2018 to take account of the ongoing synergy benefits being delivered throughout 2018 from the integration of Chain Reaction Cycles Limited being transferred to Wiggle Limited and are forecast to be met in the foreseeable future.

During the second half of the year the Group's shareholders extended £39.0m of loan notes to the Group with a further £17.5m of loan notes made available during March 2018. This investment was made to support the significant cash investment required to integrate Wiggle and CRC onto a single technical and operational platform, which is now completed. This demonstrates the continued support of the investors.

Detailed cash flow projections (reflecting base and reasonable downside scenarios) have been prepared which demonstrate the Group has sufficient financial resources and is forecast to trade within the revised financial covenants set out in the new agreements, though in the downside scenarios the headroom is reduced.

Notes to the financial statements (continued)**2. Summary of significant accounting policies (continued)****Going Concern (continued)**

In addition the Company has obtained a letter of support from its parent Mapil Topco Limited, the directors have also assessed the external loans held by the parent company entities not included within these accounts and are comfortable that there are no repayments of any debt or interest falling due within the next 12 months that would affect the cash flow projections of this Group.

On the basis of their assessment of the Group's financial position the Group's Directors are confident that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover arising from sales represents the invoiced amounts of goods and services, adjusted at the period end for items which have yet to reach the customer, stated net of value added tax and after any concession fees.

Turnover arising from the sale of gift vouchers is deferred and recognised at the point of redemption.

Turnover received in advance for sales is deferred to the statement of financial position until such time as the event occurs, at which point it is recognised within turnover.

Customer loyalty programmes

The Group operates a loyalty programme where customers are awarded discounts on future purchases based on expenditure over the previous 365 days attaining certain thresholds. The entitlement to future discounts are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the entitlement and the other components of the sale such that the entitlements are initially recognised as deferred income at their fair value. Revenue from the entitlement is recognised when the discounts are utilised or expire.

Cost of sales

Cost of sales includes the cost of goods sold and all direct costs associated with landing these goods into the warehouse, including import duty and import freight. The cost of damaged and lost stock is included within cost of sales as is the impairment of stock from cost to net realisable value.

Selling and Distribution expenses

Direct costs associated with selling and distributing goods to customers are included within selling and distributing expenses. This includes courier and packaging costs, direct outbound staff costs and credit card acquiring charges. A change in accounting policy has been made in the year to separately analyse selling and distribution costs on the face of the Statement of comprehensive income and the prior year figures have been restated in line with the new policy. The effect of this on the prior year statement of comprehensive income is to move £3,262,000 from administrative costs and £19,741,000 from cost of sales into selling and distribution expenses. If this change had not been made then the current year cost of sales and administrative expenses would be £210,306,000 and £56,500,000 respectively. This change has no impact to operating profit or the statement of financial position.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Board of Directors. Dividends are paid at the discretion of the Board of Directors.

Pensions

The Group operate a defined contribution scheme and pays contributions to publicly or privately administered pension plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Net finance costs

Net finance costs comprises interest payable, finance charges on finance leases, interest receivable on funds invested and foreign exchange gains and losses, that are recognised in the income statement. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Current taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Income tax relating to items recognised in comprehensive income or directly in equity is recognised in comprehensive income or equity and not in the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows:

Notes to the financial statements (continued)**2. Summary of significant accounting policies (continued)**

Asset Class	Depreciation Policy
Leasehold land and buildings	50 years to life of the lease
Equipment and fixtures:	
Computer and communications equipment	2 to 4 years
Fixtures, fittings and furniture	5 to 7 years
Plant and machinery	4 to 5 years
Motor vehicles	4 years

Intangible assets

Acquired intangible assets are capitalised at costs incurred to acquire and bring into use. These costs are amortised over their estimated useful lives as follows:

Asset Class	Amortisation Policy
Goodwill	Annual impairment review
Brands	5 to 10 years
Customer relationships	5 years
Customer database	3 years
Trademarks	10 years or registered life if shorter
Software and licenses	3 to 10 years or licence period

Certain costs incurred in connection with the development of software to be used internally or for providing services to customers are capitalised once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Costs that qualify for capitalisation include both internal and external costs, but are limited to those that are directly related to the specific project. Computer software costs are included at capitalised costs less accumulated amortisation and any recognised impairment loss.

Amortisation is calculated to write down the cost of the asset on a straight line basis over their estimated useful lives, which range from 3 to 10 years. Useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. For tangibles and intangibles the allocation is made to those CGU units that are expected to benefit from the asset.

Any impairment charge is recognised in the income statement in the period in which it occurs. With the exception of goodwill; when an impairment loss subsequently reverses due to a change in the original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount providing it doesn't exceed the original carrying amount before impairment. Any impairment loss related to goodwill is non reversible.

Financial Instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through the profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through the profit or loss are recognised immediately in profit or loss.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

Effective interest method

The effective interest method is a method of calculating amortised cost of a financial instrument and allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows related to the financial instrument over its expected life, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurements included in profit or loss.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurements included in profit or loss. Fair value is determined in the manner described in note 17.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short term receivables when the effect of discounting is immaterial.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Derecognition of financial liabilities

The Company derecognises a financial liability when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and consideration paid or payable is recognised in profit or loss.

Impairment of financial assets

An assessment of whether there is objective evidence of impairment is carried out for all financial assets at the balance sheet date. A financial asset is considered to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For financial assets carried at amortised cost, the charge to the income statement reflects the movement in the level of provisions made, together with amounts written off net of recoveries in the period.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently remeasured at amortised cost using the effective interest rate method.

Derecognition of financial liabilities

The Company derecognises a financial liability when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and consideration paid or payable is recognised in profit or loss.

Derivative financial Instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange risks, including foreign exchange forward contracts and interest rate swaps.

Notes to the financial statements (continued)**2. Summary of significant accounting policies (continued)***Hedge accounting*

The Company designates certain hedging instruments, which include derivatives, as cash flow hedges. Hedges of foreign exchange risk on highly probable forecast transactions and firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains or losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects the profit or loss, in the same line as the recognised item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedge instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in there comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating leases

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease incentives

Lease incentives primarily include up-front cash payments or rent-free periods. Lease incentives are capitalised and spread over the period of the lease term.

Trading stock

Inventories are valued at the lower of cost and net realisable value. The directors consider the current sales prices, sales levels and inventory holding levels to determine if provisions are required to write inventories down to net realisable value.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Deferred taxation

Deferred income tax is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future;
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Notes to the financial statements (continued)**2. Summary of significant accounting policies (continued)****Employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in accordance with IFRS requires estimates and assumptions to be made that affect the value at which certain assets and liabilities are held at the balance sheet date and also the amounts of revenue and expenditure recorded in the period. The Directors believe the accounting policies chosen are appropriate to the circumstances and that the estimates, judgements and assumptions involved in its financial reporting are reasonable.

Accounting estimates made by the Group's management are based on information available to management at the time each estimate is made. Accordingly, actual outcomes may differ materially from current expectations under different assumptions and conditions. The estimates and assumptions for which there is a significant risk of a material adjustment to the financial statements within the next financial year are set out below.

Inventories

Provision is made for those items of inventory where the net realisable value is estimated to be lower than cost. Net realisable value is based on both historical experience and assumptions regarding future selling prices, and is consequently a source of estimation uncertainty. The provision is determined based on the choice of an appropriate percentage in accordance with the ageing and turnover of stock.

Impairment

The carrying amounts of the Company's and the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. The result of the impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Non-recurring items:

The Group has a policy of separating the treatment of items that are of a one-off, non-recurring, extraordinary or exceptional nature as outside underlying operating profit before interest, depreciation, amortisation and impairment ("EBITDA"). This supports the reader of the accounts in understanding the underlying EBITDA performance of the Group. The definition identifies activities that are ¹⁾ not in the normal course of business trading ²⁾ duplication of spend in transition to a new operating model ³⁾ Non-contributory to business performance e.g. loss of office payments.

3. Turnover

	31 Dec 2017 £'000	1 Jan 2017 £'000
United Kingdom	122,319	102,881
Europe	58,084	39,927
Rest of World	78,784	62,670
	<u>259,187</u>	<u>205,478</u>

This analysis is based on the geographical location of customers.

Notes to the financial statements (continued)**4. Expenses and Auditor's Remuneration**

Included in Administration and other expenses for the period are the following:

	31 Dec 2017 £'000	1 Jan 2017 £'000
Non-recurring items		
<i>Within selling and distribution expenses:</i>		
Integration of CRC into Wiggle ³	964	-
<i>Within other operating expenses:</i>		
New warehouse costs ¹	474	1,100
Merger activity ²	-	2,090
Integration of CRC into Wiggle ³	3,559	-
Consultancy fees ⁴	507	-
Restructuring and loss of office payments ⁵	503	102
Non-recurring items for the period	6,007	3,292

¹ In 2015 Wiggle commenced the transfer of warehousing operations from Portsmouth to Citadel. During the transfer the costs identified as exceptional include incentivisation and redundancy costs, recruitment and training, seconded management, dual running costs and the associated disruption and inefficiency that resulted from successfully executing the move whilst maintaining customer SLAs. The final impact of this transfer was completed in 2017.

² These costs relate to the investment made in evaluating the merger with Chain Reaction Cycles and the legal and adviser fees on the acquisition.

³ During the year, a significant change programme to transfer and integrate the CRC and Wiggle operations was completed. This included the integration of CRC into the Wiggle IT stack, the transfer of stock and operations from the Northern Irish distribution centres to the Citadel facility in the Midlands, closure of sites in Northern Ireland, and restructuring of teams across all locations. The non-capital spend associated with this change programme and elements of the associated business disruption are considered to be one-off in nature.

⁴ During the year, an external consultant was engaged as part of a review of the long term strategy of the business. These costs were non-contributory to business performance and associated with the transition to a new business model that was not completed.

⁵ During the year the executive team was restructured and a new CEO and CFO were appointed. The costs associated with the departure of the previous executive and appointment of the new executive have been treated as one-off and non-recurring. During the prior year consultation began with the warehouse team in Northern Ireland in preparation for the migration of the CRC stock to Citadel. The costs in the prior year related to the provision of termination payments.

	31 Dec 2017 £'000	1 Jan 2017 £'000
Other charges/ (credits):		
Depreciation of tangible assets	3,319	2,659
Amortisation and impairment of intangible assets	3,486	2,353
	6,805	5,012
Operating leases - land and buildings	2,089	1,395
(Gain) / Loss on disposal and impairment of tangible assets	(11)	36
	8,883	6,443
Auditor's remuneration:		
Audit services statutory audit	46	60
Other services relating to taxation and sundry matters	99	178
	145	238

Notes to the financial statements (continued)

5. Staff numbers and costs

	31 Dec 2017 £'000	1 Jan 2017 £'000
Costs of Employees (excluding Directors) during the period amounted to:		
Wages and salaries	13,494	13,634
Social security costs	1,276	1,204
Other Pension Costs	391	303
Healthcare Costs	79	16
	<u>15,240</u>	<u>15,157</u>

Average number of employees employed by the Company (excluding non-executive directors) during the period analysed by category, was as follows:

	31 Dec 2017 Number	1 Jan 2017 Number
Head office and administration	351	304
Warehouse	213	206
Total	<u>564</u>	<u>510</u>

Directors' Emoluments

Key management includes the Directors as identified in the Directors' report. The compensation paid or payable to key management for employee services to Wiggle Limited and other companies within the Group is shown below:

	31 Dec 2017 £'000	1 Jan 2017 £'000
Short-term employee benefits	1,018	1,021
Termination benefits	362	-
	<u>1,380</u>	<u>1,021</u>

	31 Dec 2017 £'000	1 Jan 2017 £'000
Highest paid director	<u>543</u>	<u>550</u>

Retirement benefits are accruing to zero (1 Jan 2017: zero) directors under a money purchase scheme.

At the period-end £192,232 (1 Jan 2017: £nil) was owed to the Directors in respect of period-end bonus.

Notes to the financial statements (continued)**6. Finance income and finance cost**

	31 Dec	1 Jan
	2017	2017
	£'000	£'000
<i>Finance income</i>		
Bank interest receivable	-	1
Exchange gain	629	-
	<u>629</u>	<u>1</u>
	31 Dec	1 Jan
	2017	2017
	£'000	£'000
<i>Finance costs</i>		
Payable to group companies	2,758	690
Bank interest and other similar charges	(801)	104
Exchange loss	-	343
	<u>1,957</u>	<u>1,137</u>
	31 Dec	1 Jan
	2017	2017
	£'000	£'000
<i>Management fee</i>		
Management fee	7,467	721
	<u>7,467</u>	<u>721</u>

7. Taxation

	31 Dec	1 Jan
	2017	2017
	£'000	£'000
Recognised in the income statement		
<i>Current tax</i>		
UK corporation tax on profits for the periods	-	-
Adjustments in respect of prior periods	-	-
Group relief	-	-
Total current tax	<u>-</u>	<u>-</u>
<i>Deferred tax</i>		
Movement in deferred tax asset	268	-
Total deferred tax	<u>268</u>	<u>-</u>
Tax credit in the Income Statement	<u>268</u>	<u>-</u>

A deferred tax asset in respect of tax losses carried forward, short term timing differences and accelerated capital allowances has not been recognised in the statement of financial position due to uncertainty relating to the sufficiency of taxable profits against which to utilise the benefits of the temporary differences, and when they are expected to reverse in the foreseeable future, 31 Dec 2017 £2,809,000 (1 Jan 2017 £2,657,000). Tax losses do not expire under current legislation.

Notes to the financial statements (continued)

7. Taxation (continued)

Reconciliation of effective income tax credit	31 Dec 2017 £'000	1 Jan 2017 £'000
Loss before tax	(23,219)	(6,517)
Weighted average tax rate	19.25%	20.00%
At the weighted average income tax rate	(4,470)	(1,303)
Expenses not deductible for tax purposes	291	293
Group relief	2,042	256
Movement in unrecognised deferred tax asset	2,405	754
	<u>268</u>	<u>-</u>

Reductions in the UK corporation tax rate 23% to 21% (effective 1 April 2014) and to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future tax charge accordingly. The deferred tax balances at 31 December 2017 have been calculated based on the rate of 17% substantively enacted at the balance sheet date.

	Accelerated Capital allowances £'000	Other short term temporary differences £'000	Total £'000
Deferred tax			
At 3 January 2016	344	32	376
Movement in the year	-	-	-
Effects of changes in rate	-	-	-
At 1 January 2017	344	32	376
Movement in the year	(236)	(32)	(268)
Effects of changes in rate	-	-	-
Transfer in	(108)	-	(108)
At 31 December 2017	<u>-</u>	<u>-</u>	<u>-</u>

A deferred tax asset in respect of tax losses carried forward, some accelerated capital allowances and the hedging reserve of £nil (1 Jan 2017: £376,000) has not been recognised in the statement of financial position due to uncertainty relating to the sufficiency of taxable profits against which to utilise the benefits of the temporary differences, and when they are expected to reverse in the foreseeable future.

Notes to the financial statements (continued)**8. Intangible assets**

	Trade marks	Software and licences	Total
Cost	£'000	£'000	£'000
At 1 January 2017	785	37,016	37,801
Additions	131	8,991	9,122
Transfer at net book value	-	1,447	1,447
Disposals	-	-	-
At 31 December 2017	916	47,454	48,370
Accumulated amortisation			
At 1 January 2017	422	5,886	6,308
Amortisation and impairment	107	3,379	3,486
Transfer at net book value	-	252	252
At 31 December 2017	529	9,517	10,046
Net book value			
At 31 December 2017	387	37,937	38,324
At 1 January 2017	363	31,130	31,493

Cost includes direct costs incurred in bringing assets into their present condition, which includes certain labour costs.

On 28 August 2017, all intangible assets of a fellow group company; Chain Reaction Cycles Limited, were transferred in at book value.

9. Tangible assets

	Land and buildings	Equipment and fixtures	Motor vehicles	Total
Cost	£'000	£'000	£'000	£'000
At 1 January 2017	8,823	6,643	131	15,597
Additions	545	6,728	1	7,274
Transfer at net book value	-	2,100	148	2,248
Disposals	-	-	-	-
At 31 December 2017	9,368	15,471	280	25,119
Accumulated depreciation				
At 1 January 2017	2,218	6,044	130	8,392
Depreciation	699	2,616	4	3,319
Disposals	-	(3)	-	(3)
Transfer at net book value	-	189	102	291
At 31 December 2017	2,917	8,846	236	11,999
Net book value				
At 31 December 2017	6,451	6,625	44	13,120
At 1 January 2017	6,605	599	1	7,205

On 28 August 2017, all tangible assets of a fellow group company; Chain Reaction Cycles Limited, were transferred in at book value.

Notes to the financial statements (continued)

10. Inventory	31 Dec	1 Jan
	2017	2017
	£'000	£'000
Finished goods and goods for resale	<u>63,303</u>	<u>27,272</u>

All inventories are carried at cost less a provision to take account of slow moving and obsolete items.

The cost of inventories recognised as an expense during the year was £186,010,000 (1 Jan 2017: £134,763,000).

The cost of inventories recognised as an expense includes £3,999,000 (1 Jan 2017: £870,000) in respect of write-downs to net realisable value.

11. Trade and other receivables	31 Dec	1 Jan
	2017	2017
	£'000	£'000
<i>Non current</i>		
Amount due from group companies	<u>-</u>	<u>18,638</u>
	<u>-</u>	<u>18,638</u>
<i>Current</i>		
Amount due from group companies	97,590	92
Prepayments and accrued income	10,892	3,642
Corporation tax	119	-
Other taxes and social security	565	2,419
Other receivables	486	431
	<u>109,652</u>	<u>6,584</u>

Amounts due from group companies have arisen due to transfer of group balances from CRC to Wiggle and from the trade from September onwards with Hollines, Decade and Retail. These are non interest bearing and are repayable on demand. Prepayments and accrued income includes accrued income of £1,539,000 (1 Jan 2017: £951,000). This arises as agreed buying targets with suppliers are met which will in turn trigger a rebate from the supplier.

12. Creditors: amounts falling due within one year	31 Dec	1 Jan
	2017	2017
	£'000	£'000
Amounts owed to group companies	89,798	9,844
Trade creditors	39,161	30,054
Other taxes and social security	2,346	499
Derivative financial instruments	-	1,693
Other creditors & accruals	25,292	15,772
	<u>156,597</u>	<u>57,862</u>

Amounts owed to group companies have arisen due to the transfer of group balances from CRC to Wiggle. These are non interest bearing and are repayable on demand. Trade payables are non-interest bearing and are payable on average within 30 days at 31 December 2017 (1 Jan 2017: 30 days). The Bank overdraft and short term loans are secured by a fixed and floating charge over the assets of the Company and are repayable on demand.

13. Creditors: amounts falling due after more than one year	31 Dec	1 Jan
	2017	2017
	£'000	£'000
Amounts owed to group companies	<u>81,943</u>	<u>25,577</u>

Interest on the loans from parent company is charged at a weighted average rate of 12% per annum (1 Jan 2017: 11%). These loans are repayable in full within five years.

Notes to the financial statements (continued)

14. Provisions for liabilities and charges

	31 Dec 2017	1 Jan 2017
	£'000	£'000
Dilapidations and asset retirement provision		
Balance at beginning of the period	1,332	1,237
Provisions made during the period	424	287
Utilised in the period	-	(192)
	<u>1,756</u>	<u>1,332</u>

A dilapidations and asset retirement provision is made to cover the exceptional future cost of returning properties to the condition required by the lessor upon exit from the lease. It is based on management's assessment of the current state of properties in the Company's portfolio and an assessment of inflation and discount rates. These provisions are expected to be used within the next 15 years.

15. Share capital

	31 Dec 2017	1 Jan 2017
	£	£
Called up, allotted and fully paid		
400 Ordinary shares of £1 each	400	400
100 A Ordinary shares of £1 each	100	100
100 B Ordinary shares of £1 each	100	100
100 C Ordinary shares of £1 each	100	100
100 D Ordinary shares of £1 each	100	100
	<u>800</u>	<u>800</u>

All shares rank pari passu with regard to voting and distribution rights.

16. Commitments and contingencies**Operating Leases**

Non-cancellable operating lease rentals are payable as follows:

	Land and building leases 31 Dec 2017 £'000	Other leases 31 Dec 2017 £'000	Land and building leases 1 Jan 2017 £'000	Other leases 1 Jan 2017 £'000
Less than one year	2,324	160	1,132	89
Between one and five years	7,877	549	6,239	-
More than five years	7,892	-	10,637	-
	<u>18,093</u>	<u>709</u>	<u>18,008</u>	<u>89</u>

The Company leases offices and warehouse locations under operating leases. The Company also has operating leases in respect of some items of plant and equipment. The leases are of varied length, with the longest lease running until 2029, with many leases having options to extend at the end of the lease term.

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

Capital Commitments

At 31 December 2017, the Company had entered into contracts to develop the Group's IT infrastructure, which will require estimated capital expenditure of £nil (1 Jan 2017: £2,254,000).

Cross Company Guarantees

The cross company guarantees are in relation to shareholder and bank loans. Shareholder loans in Mapil Midco 2 amount to £75,917,000 and bank loans in Mapil Bidco amount to £65,601,000. No claims are expected in respect of these guarantees.

Financial Commitments

At 31 December 2017 the Company had no liabilities in respect of documentary letters of credit (1 Jan 2017: £nil). There are no unrealised gains or losses at 31 December 2017.

Notes to the financial statements (continued)

17. Ultimate and immediate parent undertaking and controlling party

The Company's immediate parent is Ensco 503 Limited. The registered office of Ensco 503 Limited is 1000 Lakeside, Suite 310, N E Wing, Third Floor, Portsmouth, PO6 3EN. The ultimate parent company is Mapil Topco Limited, a company incorporated in the UK and registered in England and Wales. Mapil Topco Limited and all its subsidiaries form the Mapil Topco Group of Companies ("the Group").

At 1 January 2017, the results of the Company are consolidated in Mapil Topco Limited. The consolidated financial statements of this company are available to the public from Companies House, Cardiff, CF14 3UZ. The registered office Mapil Topco Limited is 1000 Lakeside, Suite 310, Third Floor, N E Wing, Portsmouth, PO6 3EN. The Group's controlling shareholder is Bridgepoint Europe IV (Nominees) Limited. The registered office of Bridgepoint Europe IV (Nominees) Limited is 95 Wigmore Street, London, W1U 1FB. Bridgepoint Europe IV (Nominees) Limited holds the shares as nominee for the partnerships which make up the Bridgepoint Europe IV Fund, which is managed by Bridgepoint Advisers Holdings a company regulated by the Financial Conduct Authority and incorporated in England and Wales. The registered office of Bridgepoint Advisers Holdings is 95 Wigmore Street, London, W1U 1FB.

18. Related party disclosures

Identity of related parties

Christopher Watson a director of the Group is also a director of Taiwan Chain Reaction Co Limited. The registered office of Taiwan Chain Reaction Co Limited is 3F, No. 398 Jyuguang Road, Yuanlin Township, Changhua Hsien, Taiwan, 53269624.

Other transactions with controlling parties

At the period end there was £1,134,275 (1 Jan 2017: £600,000) outstanding in relation to management fees payable to Bridgepoint. Wiggle Limited paid Bridgepoint £26,262 (1 Jan 2017: £nil) in respect of carbon credits purchased on their behalf during the period. No amounts were outstanding at the period end.

At the period end there was £nil (1 Jan 2017: £nil) outstanding in relation to service charges payable to Taiwan Chain Reaction Co Limited. The Group paid Taiwan Chain Reaction Co Limited £76,645 (1 Jan 2017: £nil) during the period in relation to commission fees. Since the period end Chain Reaction Cycles Limited have made payments to Taiwan Chain Reaction Co Limited of £nil (1 Jan 2017: £nil).

Wiggle Limited paid Bridgepoint £26,262 (1 Jan 2017: £nil) in respect of carbon credits purchased on their behalf during the period. No amounts were outstanding at the period end.

After the period end Bridgepoint extended a further £17,500,000 of loan notes to the group.

As the Company is a wholly owned subsidiary of Mapil Topco Limited, the Company has taken advantage of the exemption contained in FRS101 and has not disclosed transactions or balances with entities which form part of the Group.