

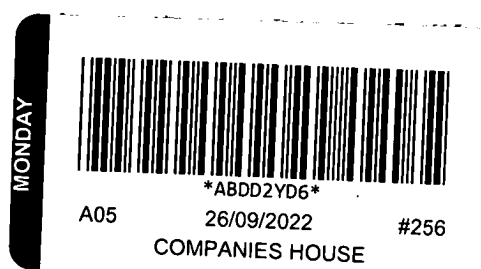
## **Sigma Sports Limited**

Annual Report and Financial Statements

Year Ended

31 December 2021

Company Number 04842265



# Sigma Sports Limited

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# Sigma Sports Limited

## Company Information

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<b>Directors</b>	C E B Cavell-Taylor I Whittingham J B Turner J S McEuen A S Hodge O P Lawson
<b>Company secretary</b>	Dentons Secretaries Limited
<b>Registered number</b>	04842265
<b>Registered office</b>	37-43 High Street Hampton Wick Kingston Upon Thames Surrey KT1 4DA
<b>Independent auditor</b>	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL
<b>Bankers</b>	HSBC Bank plc Church Street Weybridge Surrey KT13 8DF

# Sigma Sports Limited

## Strategic Report For the Year Ended 31 December 2021

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2021.

### Business review

FY21 was a successful year for Sigma Sports, which was achieved against challenging conditions as the company transitioned away from the COVID-19 lockdown environment.

The cycling industry itself experienced sustained growth in the first half of FY21, driven by the pandemic increasing participation in the sport and continued Government infrastructure investment (alongside initiatives such as the Cycle Scheme growing in popularity). In the second half of the year demand reduced, impacting Sigma Sports' Online channel to a greater extent than the stores, where performance remained more consistent.

Throughout the year the business remained highly competitive, maintaining its position as the leading premium retailer in the sector. The company continued to invest in capacity with the opening of a new distribution centre, as well as seeing growth in own brands Vel and Universal Colours. The Hampton Wick store continues to be successful as does the Oakham store. The business also embarked on a new electric bike store in Kingston which is due to open in March 2022, providing customers with the same level of exceptional experience provided in other Sigma Sports' stores, demonstrating the focus the business is putting into the electric market.

During the year, working capital management was a challenge against a backdrop of global supply shortages. In order to meet the high levels of demand in the first half of the year, a number of large orders were placed, however as demand slowed, the business was left holding more inventory than anticipated resulting in a cash flow cover banking covenant breach in September 2021. The company's bank, HSBC, recognised the exceptional circumstances leading to the breach, so waived the covenants for this period. In the following quarter, the business reversed the stock build and comfortably passed the year end tests.

The board considers the key performance indicators for the company are those that communicate the financial performance and strength of the company as a whole. The key financial highlights are as follows:

	Year ended 2021 £	Year ended 2020 £
Revenue	74,572,311	61,415,169
Gross profit	24,220,138	19,573,555
EBITDA	7,726,593	8,614,530

### Development and performance

The company continues to review the marketplace in which it operates in order to maximise profitable growth particularly for the Online channel, through recruitment, strong management and leadership, developing IT systems, increasing operational capacity and strengthening relationships with major suppliers.

On 18 February 2021, 100% of the share capital of Sigma Sports Holdings Limited (the parent company to Sigma Sports Limited) was acquired by Martin Bidco Limited (a 100% subsidiary of Martin Topco Limited) as part of a minority investment into the business led by UK private equity firm Primary Capital Partners LLP.

### Principal risks and uncertainties

The principal risks arising from the company's activities are liquidity and interest rate risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

#### Liquidity risk

Liquidity risk is managed by ensuring enough resources are available to meet trading cash flows through appropriate banking facilities.

# Sigma Sports Limited

## Strategic Report (continued) For the Year Ended 31 December 2021

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### Interest rate risk

Interest rate risk is managed by regular review of fixed and variable rate facilities available from the company's bankers.

### Going concern risk

Sigma Sports traded very strongly in FY21, however the second half of the year saw a more challenging trading environment. Softer consumer demand, the pressure on stock availability and the significant investment in capital expenditure projects meant that the business required careful management of cash flow at year end and into Q1 FY22. These challenges have continued into 2022.

As part of this process, the board has prepared prudent cash flow forecasts for the next 12 months and beyond, which show the business maintains sufficient operating liquidity to meet its day-to-day liabilities as they fall due. These detailed forecasts are prepared at a consolidated group level, so cover the requirements for all entities in the group. Shareholders have provided some additional debt funding to meet short term banking covenants. As no liquidity issues are forecast, the additional shareholder funds provide surplus cash flow.

The directors have therefore prepared these financial statements on a going concern basis.

### Coronavirus COVID-19 risk

The full impact of the COVID-19 pandemic remains uncertain and continues to develop on a daily basis. The directors are monitoring the exposure to the company's business and have implemented strategies to mitigate the risks, including utilising various government support measures. The directors are also monitoring the exposure to its employees, customers and other stakeholders, referring to government and professional advice published to help ensure their safety.

### War in Ukraine

The business has been reviewing the potential impact the war in Ukraine could have. On the assumption that the conflict remains within Ukrainian borders, we see limited impact from a direct sales, supply chain and cost of inventory perspective as the business does not do a material amount of trade with customers and suppliers in Ukraine or Russia. The wider global implications of the conflict regarding consumer sentiment, the rising cost of living and the price of inventory are considered to be more of a risk, so are being very closely monitored at all levels.

This report was approved by the board and signed on its behalf.

DocuSigned by:  
  
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**O P Lawson**  
Director

Date: 6/28/2022

# **Sigma Sports Limited**

## **Directors' Report For the Year Ended 31 December 2021**

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The directors present their report together with the audited financial statements for the year ended 31 December 2021.

### **Principal activity**

The principal activity of the company in the year under review was that of retailing bicycles and triathlon equipment.

### **Dividends**

The total distribution of dividends for the year ended 31 December 2021 was £Nil (2020 - £1,162,300).

### **Directors**

The directors who served during the year were:

C E B Cavell-Taylor  
I Whittingham  
J B Turner  
J S McEuen  
A H Noel (resigned 30 June 2021)

The directors who were appointed after the year were:

A S Hodge (appointed 29 March 2022)  
O P Lawson (appointed 29 March 2022)

### **Future developments**

Information concerning future developments is contained in the strategic report.

### **Directors' responsibilities statement**

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting estimates that are reasonable and prudent; 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Sigma Sports Limited**

### **Directors' Report (continued) For the Year Ended 31 December 2021**

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#### **Disclosure of information to auditor**

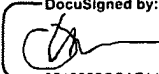
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

#### **Auditor**

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

DocuSigned by:  
  
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**O P Lawson**  
Director

Date: 6/28/2022

## **Sigma Sports Limited**

### **Independent Auditor's Report to the Members of Sigma Sports Limited**

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#### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Sigma Sports Limited ("the company") for the year ended 31 December 2021 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



## **Sigma Sports Limited**

### **Independent Auditor's Report to the Members of Sigma Sports Limited (continued)**

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#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Other Companies Act 2006 reporting**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Sigma Sports Limited

### Independent Auditor's Report to the Members of Sigma Sports Limited (continued)

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#### Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements and the susceptibility of the entity's financial statements to material misstatement including fraud. Our procedures included, but were not limited to:

Audit procedures performed included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, corroborating responses with information gained from other aspects of the audit and reviewing relevant correspondence with the company's legal advisers;
- Challenging assumptions made by management in their significant accounting estimates, in particular in relation to stock provisions and sales return provision;
- Review of board meeting minutes for any evidence of fraud or non-compliance with laws and regulations including health and safety and taxation regulations; and
- Assessment of journal entries to accounts that were considered to carry a greater risk of fraud as part of our planned audit approach.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## Sigma Sports Limited

### Independent Auditor's Report to the Members of Sigma Sports Limited (continued)

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#### Use of our report

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.

DocuSigned by:

*Arbinder Chatwal*

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**Arbinder Chatwal** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Southampton  
United Kingdom

Date: 29 June 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Sigma Sports Limited

## Profit and Loss Account For the Year Ended 31 December 2021

	Note	2021 £	2020 £
Turnover	4	74,572,311	61,415,169
Cost of sales		(50,352,173)	(41,841,614)
<b>Gross profit</b>		<b>24,220,138</b>	<b>19,573,555</b>
Distribution costs		(2,575,825)	(2,236,485)
Administrative expenses		(15,108,615)	(10,029,551)
Other operating income	6	53,155	252,266
<b>Operating profit</b>		<b>6,588,853</b>	<b>7,559,785</b>
Interest receivable and similar income	9	-	931
Interest payable and similar charges	10	(4,120)	(47,175)
<b>Profit before tax</b>		<b>6,584,733</b>	<b>7,513,541</b>
Tax on profit	11	(982,159)	(1,299,604)
<b>Profit for the financial year</b>		<b>5,602,574</b>	<b>6,213,937</b>

The notes on pages 14 to 30 form part of these financial statements.

**Sigma Sports Limited**  
Registered number: 04842265

**Balance Sheet**  
**As at 31 December 2021**

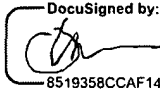
	Note	2021 £	2021 £	As restated 2020 £	As restated 2020 £
<b>Fixed assets</b>					
Intangible assets	13		985,167		854,861
Tangible assets	14		3,987,220		3,061,350
			<u>4,972,387</u>		<u>3,916,211</u>
<b>Current assets</b>					
Stocks	15	16,297,324		17,193,319	
Debtors: amounts falling due within one year	16	1,283,743		1,762,756	
Cash at bank and in hand		3,842,976		2,185,872	
		<u>21,424,043</u>		<u>21,141,947</u>	
Creditors: amounts falling due within one year	18	(11,625,388)		(14,161,784)	
<b>Net current assets</b>			<u>9,798,655</u>		<u>6,980,163</u>
<b>Non current assets</b>					
Debtors: amounts falling due after more than one year	17		2,083,345		-
<b>Total assets less current liabilities</b>			<u>16,854,387</u>		<u>10,896,374</u>
Creditors: amounts falling due after more than one year	19		(1,304,114)		(1,093,981)
<b>Provisions for liabilities</b>					
Deferred tax	22	(221,306)		(116,000)	
Other provisions	23	(115,000)		(75,000)	
			<u>(336,306)</u>		<u>(191,000)</u>
<b>Net assets</b>			<u>15,213,967</u>		<u>9,611,393</u>
<b>Capital and reserves</b>					
Called up share capital	24		2,200,004		2,200,004
Profit and loss account	25		13,013,963		7,411,389
<b>Total equity</b>			<u>15,213,967</u>		<u>9,611,393</u>

**Sigma Sports Limited**  
**Registered number: 04842265**

**Balance Sheet (continued)**  
**As at 31 December 2021**

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The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:  
  
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**O P Lawson**  
Director

Date: 6/28/2022

The notes on pages 14 to 30 form part of these financial statements.

## Sigma Sports Limited

### Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2021	2,200,004	7,411,389	9,611,393
<b>Comprehensive income for the year</b>			
Profit for the year	-	5,602,574	5,602,574
<b>Total comprehensive income for the year</b>	-	5,602,574	5,602,574
<b>Total transactions with owners</b>	-	-	-
<b>At 31 December 2021</b>	<b>2,200,004</b>	<b>13,013,963</b>	<b>15,213,967</b>

### Statement of Changes in Equity For the Year Ended 31 December 2020

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2020	2,200,004	2,359,752	4,559,756
<b>Comprehensive income for the year</b>			
Profit for the year	-	6,213,937	6,213,937
<b>Total comprehensive income for the year</b>	-	6,213,937	6,213,937
Dividends: Equity capital	-	(1,162,300)	(1,162,300)
<b>Total transactions with owners</b>	-	(1,162,300)	(1,162,300)
<b>At 31 December 2020</b>	<b>2,200,004</b>	<b>7,411,389</b>	<b>9,611,393</b>

The notes on pages 14 to 30 form part of these financial statements.

# Sigma Sports Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

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### 1. General information

Sigma Sports Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activity are set out in the directors' report.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

#### 2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Martin Topco Limited as at 31 December 2021 and these financial statements may be obtained from The Pinnacle, 170 Midsummer Boulevard, Milton Keynes, England, MK9 1FE.

#### 2.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

##### Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company dispatches products to customers from our warehouse for online orders or from within our stores, being the point of transfer in risk and rewards of ownership;
- at the end of any servicing work when products are passed back to customers and both parties are satisfied the work is complete;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.



# Sigma Sports Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

### 2. Accounting policies (continued)

#### 2.4 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

#### 2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. This expense forms part of administrative expenses.

The estimated useful lives range as follows:

Software Development	-	33% on cost
Trademarks	-	20% on cost

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

#### 2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	2% on cost
Short-term leasehold property	-	10% on cost
Motor vehicles	-	25% on cost
Fixtures and fittings	-	20% on cost
Plant, machinery and computer equipment	-	20% on cost

# **Sigma Sports Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2021**

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### **2. Accounting policies (continued)**

#### **2.6 Tangible fixed assets (continued)**

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

#### **2.7 Government grants**

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the profit and loss account in the same period as the related expenditure.

#### **2.8 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the profit and loss account.

#### **2.9 Foreign currency translation**

##### **Functional and presentation currency**

The company's functional and presentational currency is GBP.

##### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the profit and loss account within 'other operating income'.

# **Sigma Sports Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2021**

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### **2. Accounting policies (continued)**

#### **2.10 Borrowing costs**

All borrowing costs are recognised in the profit and loss account in the year in which they are incurred.

#### **2.11 Pensions**

##### **Defined contribution pension plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

#### **2.12 Interest income**

Interest income is recognised in the profit and loss account using the effective interest method.

#### **2.13 Finance costs**

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### **2.14 Debtors**

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### **2.15 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### **2.16 Creditors**

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

# Sigma Sports Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

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### 2. Accounting policies (continued)

#### 2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

#### 2.18 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the profit and loss account if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

# **Sigma Sports Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2021**

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### **2. Accounting policies (continued)**

#### **2.18 Financial instruments (continued)**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **2.19 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

#### **2.20 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

# Sigma Sports Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Stock provisions

The company sells bicycles and clothing is subject to changing consumer demands and economic trends. As a result it is necessary to consider the recoverability of the cost of stock and the associated provisioning required. Stocks are stated after provisions for impairment of £399,940 (2020 - £125,000). When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods.

- Sales return provision

The sales return provision is estimated on the basis of historical return and after date sales analysis. Sales have a 90-day free return period from the day of sale. The provision is recorded to allocate the returns to the same period in which the revenue is recorded. The sales returns provided has increased to £115,000 (2020 - £75,000) due to an increase in sales revenue and a shift towards web sales.

### 4. Turnover

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	70,837,411	57,025,772
Rest of Europe	2,391,257	2,488,450
Rest of the world	1,343,643	1,900,947
	<b>74,572,311</b>	<b>61,415,169</b>

# Sigma Sports Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

### 5. Operating profit

The operating profit is stated after charging/(crediting):

	2021	As restated 2020
	£	£
Operating lease expense	481,297	408,077
Depreciation of tangible fixed assets	408,846	343,549
Amortisation of intangible fixed assets	728,894	710,266
Fees payable to the company's auditor for the audit of company's annual accounts	32,500	12,000
Exchange differences	191	(184)
	<u>          </u>	<u>          </u>

### 6. Other operating income

	2021	2020
	£	£
Other operating income	27,576	-
Coronavirus Job Retention Scheme	25,579	252,266
	<u>          </u>	<u>          </u>
	<u>53,155</u>	<u>252,266</u>

### 7. Employees

Staff costs were as follows:

	2021	2020
	£	£
Wages and salaries	5,415,048	4,243,471
Social security costs	477,739	338,648
Cost of defined contribution scheme	94,308	99,044
	<u>          </u>	<u>          </u>
	<u>5,987,095</u>	<u>4,681,163</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021	2020
	No.	No.
Full time	155	107
Part time	30	25
	<u>          </u>	<u>          </u>
	<u>185</u>	<u>132</u>

# Sigma Sports Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

### 8. Directors' emoluments

	2021 £	2020 £
Directors' emoluments	<u>271,460</u>	<u>230,429</u>

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £34,710 (2020 - £30,429).

### 9. Interest receivable and similar income

	2021 £	2020 £
Other interest receivable	<u>-</u>	<u>931</u>

### 10. Interest payable and similar charges

	2021 £	2020 £
Bank interest	-	12,847
Loan interest	<u>4,120</u>	<u>34,328</u>
	<u>4,120</u>	<u>47,175</u>



# Sigma Sports Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

### 11. Taxation

	2021 £	2020 £
<b>Corporation tax</b>		
Current tax on profits for the year	857,292	1,300,000
Adjustments in respect of previous periods	19,561	(52,396)
<b>Total current tax</b>	<b>876,853</b>	<b>1,247,604</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	49,692	52,000
Adjustment in respect of previous periods	2,196	-
Changes to tax rates	53,418	-
<b>Total deferred tax</b>	<b>105,306</b>	<b>52,000</b>
<b>Taxation on profit on ordinary activities</b>	<b>982,159</b>	<b>1,299,604</b>

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	6,584,733	7,513,541
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	1,251,099	1,427,573
<b>Effects of:</b>		
Expenses not deductible for tax purposes	32,835	335
Capital allowances for year in excess of depreciation	-	17,050
Utilisation of tax losses	-	(94,535)
Adjustments to tax charge in respect of prior periods	21,757	(52,396)
Tax rate changes	53,418	-
Group relief	(376,950)	-
Other tax adjustments recognised	-	1,577
<b>Total tax charge for the year</b>	<b>982,159</b>	<b>1,299,604</b>

# Sigma Sports Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

### 11. Taxation (continued)

#### Factors that may affect future tax charges

Increase in the UK Corporation tax rate from 19% to 25% (25% effective from 1 April 2023) have been substantively enacted. This will impact the company's future tax charge accordingly. The value of the deferred tax liability at the balance sheet date has been calculated using the applicable rate when the liability is expected to be realised.

### 12. Dividends

	2021 £	2020 £
Ordinary shares Interim paid of £Nil (2020 - £1) per share	-	1,162,300

### 13. Intangible assets

	Software Development £	Trademarks £	Total £
<b>Cost or valuation</b>			
At 1 January 2021 (as restated)	3,549,621	40,000	3,589,621
Additions	859,200	-	859,200
At 31 December 2021	4,408,821	40,000	4,448,821
<b>Amortisation</b>			
At 1 January 2021 (as restated)	2,718,760	16,000	2,734,760
Charge for the year	720,894	8,000	728,894
At 31 December 2021	3,439,654	24,000	3,463,654
<b>Net book value</b>			
At 31 December 2021	969,167	16,000	985,167
At 31 December 2020 (As restated)	830,861	24,000	854,861

In the current year the software development asset was reclassified from tangible fixed assets to intangible assets. Refer to note for the details of this prior period adjustment.

## Sigma Sports Limited

### Notes to the Financial Statements For the Year Ended 31 December 2021

#### 14. Tangible fixed assets

	Freehold property £	Short-term leasehold property £	Plant, machinery and computer equipment £	Motor vehicles £	Fixtures and fittings £	Total £
<b>Cost or valuation</b>						
At 1 January 2021 (as restated)	2,365,604	515,615	875,065	99,772	548,664	4,404,720
Additions	13,932	976,556	272,696	-	71,532	1,334,716
At 31 December 2021	2,379,536	1,492,171	1,147,761	99,772	620,196	5,739,436
<b>Depreciation</b>						
At 1 January 2021 (as restated)	457,614	166,233	432,235	66,623	220,665	1,343,370
Charge for the year	47,441	84,794	162,946	17,299	96,366	408,846
At 31 December 2021	505,055	251,027	595,181	83,922	317,031	1,752,216
<b>Net book value</b>						
At 31 December 2021	1,874,481	1,241,144	552,580	15,850	303,165	3,987,220
At 31 December 2020 (As restated)	1,907,990	349,382	442,830	33,149	327,999	3,061,350

# Sigma Sports Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

### 14. Tangible fixed assets (continued)

The net book value of land and buildings may be further analysed as follows:

	2021 £	2020 £
Freehold	1,874,481	1,907,990
Short leasehold	1,241,144	349,382
	<u>3,115,625</u>	<u>2,257,372</u>

### 15. Stocks

	2021 £	2020 £
Stocks	16,297,324	17,193,319
	<u>16,297,324</u>	<u>17,193,319</u>

Stock are recognised after provisions for impairment of £399,940 (2020 - £125,000).

### 16. Debtors: amounts falling due within one year

	2021 £	2020 £
Trade debtors	866,902	1,290,883
Other debtors	183,660	304,333
Prepayments and accrued income	233,181	167,540
	<u>1,283,743</u>	<u>1,762,756</u>

### 17. Debtors: amounts falling due after more than one year

	2021 £	2020 £
Amounts owed by group undertakings	2,026,809	-
Prepayments and accrued income	56,536	-
	<u>2,083,345</u>	<u>-</u>

# Sigma Sports Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

### 18. Creditors: amounts falling due within one year

	2021 £	2020 £
Bank overdrafts	-	140,866
Trade creditors	8,823,192	9,046,308
Corporation tax	541,194	1,243,955
Other taxation and social security	1,310,976	1,938,358
Other creditors	-	1,033,627
Accruals and deferred income	810,984	758,670
Intercompany creditors	139,042	-
	<u>11,625,388</u>	<u>14,161,784</u>

### 19. Creditors: amounts falling due after more than one year

	2021 £	2020 £
Bank loans	-	1,093,981
Amounts owed to group undertakings	<u>1,304,114</u>	<u>-</u>

# Sigma Sports Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

### 20. Loans

Analysis of the maturity of loans is given below:

	2021 £	2020 £
<b>Amounts falling due within one year</b>		
Bank loans	-	140,866
<b>Amounts falling due 1-2 years</b>		
Bank loans	-	143,000
<b>Amounts falling due 2-5 years</b>		
Bank loans	-	455,000
<b>Amounts falling due after more than 5 years</b>		
Bank loans	-	495,981
	<u>-</u>	<u>1,234,847</u>

As a result of the entity purchase transaction in the year, the below were repaid in full in the year:

A £875,000 Base Rate Term loan commenced on 10 March 2010 with a term of 20 years. Interest on the loan is charged at 2.50% per annum over the Bank of England base rate.

A £1,000,000 Base Rate Term loan commenced on 25 May 2018 with a term of 10 years. Interest on the loan is charged at 2.30% per annum over the Bank of England base rate.

### 21. Commitments under operating leases

The company had minimum lease payments under non-cancellable operating leases as set out below::

	2021 £	2020 £
Not later than one year	510,852	310,418
Later than one year and not later than five years	1,920,141	527,122
Later than five years	1,153,490	43,858
	<u>3,584,483</u>	<u>881,398</u>

# Sigma Sports Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

### 22. Deferred taxation

	2021 £
At beginning of year	116,000
Charged to the profit and loss account	105,306
<b>At end of year</b>	<b>221,306</b>

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	222,575	116,000
Short term timing differences	(1,269)	-
	<b>221,306</b>	<b>116,000</b>

### 23. Provisions

	Provision for returns £
At 1 January 2021	75,000
Increase in provision	40,000
<b>At 31 December 2021</b>	<b>115,000</b>

### 24. Share capital

	2021 £	2020 £
<b>Allotted, called up and fully paid</b>		
2,200,004 (2020 - 2,200,004) ordinary shares of £1 each	<b>2,200,004</b>	<b>2,200,004</b>

# Sigma Sports Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

### 25. Reserves

The company's capital and reserves are as follows:

#### Called up share capital

Called up share capital represents the nominal value of the shares issued.

#### Profit and loss account

Profit and loss account represent cumulative profits or losses, net of dividends paid and other adjustments.

### 26. Capital commitments

At 31 December 2021 the company had capital commitments as follows:

	2021 £	2020 £
Contracted for but not provided in these financial statements	-	378,410

### 27. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £94,308 (2020 - £99,044). Contributions totalling £19,464 (2020 - £15,586) were payable to the fund at the reporting date and are included in creditors.

### 28. Controlling party

The company's parent company is Sigma Sports Holdings Limited, which holds 100% of the company's issued share capital.

The largest and smallest group in which the results of the company are consolidated is that headed by Martin Topco Limited, a company incorporated in the United Kingdom.

### 29. Prior year restatement

Certain balances within the balance sheet have been reclassified in the current year and results in the prior year figures included in the balance sheet being restated. This reclassification has no effect on either profit or assets and only updates disclosures contained within the balance sheet. The reclassification relates to the misclassification of the Software Development intangible asset as a tangible asset in the past. An adjustment has been made to reclassify asset costs from tangible to intangible assets. Costs totalling £3,549,621 and accumulated amortisation of £2,718,760 as at 1 January 2021 resulting in a carrying amount of £854,861 as at that same date being reclassified from tangible assets to intangible assets.