

Registered number: 04842265

SIGMA SPORTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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SIGMA SPORTS LIMITED

COMPANY INFORMATION

Directors	Corry Edward Bradshaw Cavell-Taylor Oliver Paul Lawson James Stewart McEuen Jason Brian Turner Ian Whittingham
Company secretary	No company secretary
Registered number	04842265
Registered office	The Sidings Hampton Wick Kingston Upon Thames Surrey KT1 4HG
Independent auditor	BDO LLP Maritime Walk Ocean Village Southampton SO14 3TL
Bankers	HSBC PLC Weybridge Surrey KT13 8DF

SIGMA SPORTS LIMITED

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The following pages do not form part of the statutory financial statements:

SIGMA SPORTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2022.

Business review

FY22 was a challenging year for retailers in the UK, as businesses had to deal with the economic environment post COVID-19 which was compounded by Russia's invasion of Ukraine in March, rising interest rates and the fallout from September's mini budget - all factors contributing to a decline in consumer confidence. The cycling industry specifically saw a slight contraction in size when compared to the highs of FY20 and FY21 as the cost of living crisis restricted discretionary spending.

Despite the challenges, Sigma Sports remained highly competitive throughout the year, maintaining its position as the leading premium retailer in the sector. The company continued to invest with the opening of a new Electric Bike store, 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.

During the year, working capital management was a particular focus. Having bought surplus stock in H1, the fall in consumer demand in H2 led Directors to rethink the short term pricing strategy, with the objective of unwinding stock to provide liquidity. The reduced pricing led to lower margins and therefore a loss making year, something which was intentional and carefully controlled.

The Directors worked with the company's bankers, HSBC, in managing the business's debt commitments. The close working relationship resulted in the supportive introduction of a minimum liquidity threshold in H2, alongside waivers for the breached gross leverage covenant test in Sept-22. Covenant test dates for Dec-22 were also moved into Jan-23 to accommodate the moving nature of the retail landscape.

Principal risks and uncertainties

In the short term, the Directors expect the backdrop of UK's economy to remain a challenge, resulting in a testing period for all retailers.

To support the management of liquidity, 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.

Furthermore, in June 2023 Shareholders provided additional debt funding to reduce the amount of leverage in the company and introduce new cash for the balance sheet. 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.

SIGMA SPORTS LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

Liquidity and interest rate risk

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

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

Economic Uncertainty

The UK is experiencing an extended period of challenging macroeconomic conditions which is impacting consumer demand across the entire Retail, Hospitality and Leisure sector. High inflation induced by the cost of energy following Russia's invasion of Ukraine and the subsequent cost of living crisis, has resulted in the Bank of England increasing base interest rates. This in turn has increased the cost of borrowing, most importantly mortgage rates, which has had a negative impact on consumer sentiment as mortgages are renewed.

The Directors are not anticipating the Bank of England base interest rate to drop anytime soon, and are planning for further interest rate increases until inflation drops closer to the c2% target. The current view is this may take 18 months, therefore the business is continuously reviewing its strategy in light of a prolonged environment of lower consumer demand.

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:

	2022	2021
	£	£
Revenue	55,814,434	74,572,311
Gross Profit	13,582,723	24,220,138

Development and performance

The group 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.

SIGMA SPORTS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Going concern

The actions of the group around pricing resulted in a loss-making year, however cash flow management was robust. This was done through a detailed review of two main areas: i) stock; and ii) overheads.

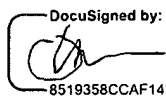
Stock has been simplified, ensuring the company focusses on the bestselling and profitable lines, working with the most desirable brands in the industry. Any surplus stock is being unwound in FY23. The Directors have also reduced the overhead base to be commensurate with reduced sales.

In the year, the business breached a covenant in September 2022 which was waived by the bank. As part of the ongoing review of banking facilities to the Group, the Shareholders are reducing the amount of debt owed to HSBC and putting some additional cash reserves onto the balance sheet. There will also be a reset of banking covenants to be more appropriate. There is a revision to the capital base of the company, which simplifies the loan note position.

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.

All of these actions were successfully completed in June 2023. The directors have therefore prepared these financial statements on a going concern basis.

This report was approved by the board on 31 July 2023 and signed on its behalf.

DocuSigned by:

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Oliver Paul Lawson
Director

SIGMA SPORTS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their report and the financial statements for the year ended 31 December 2022.

Principal activity

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

Results and dividends

The loss for the year, after taxation, amounted to £3,559,926 (2021 - profit £5,602,574).

Directors

The directors who served during the year were:

Corry Edward Bradshaw Cavell-Taylor
Oliver Paul Lawson (appointed 29 March 2022)
James Stewart McEuen
Jason Brian Turner
Ian Whittingham
Alexander Stuart Hodge (appointed 29 March 2022, resigned 27 January 2023)

Future developments

Information concerning future developments is contained in the strategic report.

Disclosure of information to auditors

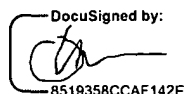
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

Auditors

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

This report was approved by the board on 31 July 2023 and signed on its behalf.

DocuSigned by:

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Oliver Paul Lawson
Director

SIGMA SPORTS LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting 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;
- 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 to 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIGMA SPORTS LIMITED

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss 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 2022 which comprise the Statement of Comprehensive Income, 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.

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

SIGMA SPORTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIGMA SPORTS LIMITED

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 have 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.

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

SIGMA SPORTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIGMA SPORTS LIMITED

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.

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, UK
31 July 2023

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

SIGMA SPORTS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 £
Turnover	4	55,814,434	74,572,311
Cost of sales		(42,231,711)	(50,352,173)
Gross profit		13,582,723	24,220,138
Distribution costs		(1,421,750)	(2,575,825)
Administrative expenses		(16,341,556)	(15,108,615)
Other operating income	6	29,238	53,155
Operating (loss)/profit	5	(4,151,345)	6,588,853
Interest payable and similar expenses	9	-	(4,120)
(Loss)/profit before tax		(4,151,345)	6,584,733
Tax on (loss)/profit	10	591,419	(982,159)
(Loss)/profit for the financial year		(3,559,926)	5,602,574
Other comprehensive income for the year			
Total comprehensive income for the year		(3,559,926)	5,602,574

The notes on pages 14 to 31 form part of these financial statements.

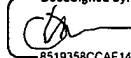
SIGMA SPORTS LIMITED
REGISTERED NUMBER: 04842265

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	11	1,142,154	985,167
Tangible assets	12	4,447,339	3,987,221
		<u>5,589,493</u>	<u>4,972,388</u>
Current assets			
Stocks	13	13,139,572	16,297,324
Debtors: amounts falling due within one year	14	1,867,746	1,283,743
Cash at bank and in hand	15	4,354,830	3,842,977
Debtors: amounts falling due after more than one year	14	532,422	2,083,345
		<u>19,894,570</u>	<u>23,507,389</u>
Creditors: amounts falling due within one year	16	(12,010,867)	(11,625,388)
Net current assets		<u>7,883,703</u>	<u>11,882,001</u>
Total assets less current liabilities		<u>13,473,196</u>	<u>16,854,389</u>
Creditors: amounts falling due after more than one year	17	(1,350,511)	(1,304,115)
Provisions for liabilities			
Deferred tax	18	(418,643)	(221,306)
Other provisions	19	(50,000)	(115,000)
		<u>(468,643)</u>	<u>(336,306)</u>
Net assets		<u>11,654,042</u>	<u>15,213,968</u>
Capital and reserves			
Called up share capital	20	2,200,004	2,200,004
Profit and loss account	21	9,454,038	13,013,964
		<u>11,654,042</u>	<u>15,213,968</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31 July 2023.

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Oliver Paul Lawson
 Director

The notes on pages 14 to 31 form part of these financial statements.

SIGMA SPORTS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2022	2,200,004	13,013,964	15,213,968
Comprehensive loss for the year			
Loss for the year	-	(3,559,926)	(3,559,926)
	<hr/>	<hr/>	<hr/>
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the year	-	(3,559,926)	(3,559,926)
	<hr/>	<hr/>	<hr/>
Total transactions with owners	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2022	2,200,004	9,454,038	11,654,042
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 14 to 31 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	7,411,390	9,611,394
Comprehensive income for the year			
Profit for the year	-	5,602,574	5,602,574
	<hr/>	<hr/>	<hr/>
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	5,602,574	5,602,574
	<hr/>	<hr/>	<hr/>
Total transactions with owners	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2021	2,200,004	13,013,964	15,213,968
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The notes on pages 14 to 31 form part of these financial statements.

SIGMA SPORTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment 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 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- 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 Sidings, 1 Station Road, Hampton Wick, Kingston upon Thames, England, KT1 4HG.

SIGMA SPORTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)
2.3 Going concern

The actions of the group around pricing resulted in a loss making year, however cash flow management was robust. This was done through a detailed review of two main areas: i) stock; and ii) overheads.

Stock has been simplified, ensuring the company focusses on the bestselling and profitable lines, working with the most desirable brands in the industry. Any surplus stock is being unwound in FY23. The Directors have also reduced the overhead base to be commensurate with reduced sales.

In the year, the business breached a covenant in September 2022 which was waived by the bank. As part of the ongoing review of banking facilities to the Group, the Shareholders are reducing the amount of debt owed to HSBC and putting some additional cash reserves onto the balance sheet. There will also be a reset of banking covenants to be more appropriate. There is a revision to the capital base of the company, which simplifies the loan note position.

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.

All of these actions were successfully completed in June 2023. The directors have therefore prepared these financial statements on a going concern basis.

2.4 Revenue

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue 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 revenue 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 revenue 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.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss 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.

SIGMA SPORTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.6 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.

Amortisation is provided on the following bases:

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.

2.7 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

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 profit or loss.

SIGMA SPORTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)
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 profit or loss.

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 profit or loss 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 Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

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 profit or loss 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.

SIGMA SPORTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.12 Interest income

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

2.13 Finance costs

Finance costs are charged to profit or loss 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.

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 profit or loss 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

SIGMA SPORTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.18 Financial instruments (continued)

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 Statement of Comprehensive Income 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 Statement of Comprehensive Income.

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.

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 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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

SIGMA SPORTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.19 Current and deferred taxation (continued)**

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.

3. Judgments 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 and 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 £703,939 (2021 - £399,940). 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 this year is £50,000 (2022-£115,000) which represents the actual value of margin on returned items during the first 3 months of 2023.

SIGMA SPORTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. Turnover

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	53,221,050	70,837,411
Rest of Europe	957,423	2,391,257
Rest of the world	1,635,961	1,343,643
	<u>55,814,434</u>	<u>74,572,311</u>

5. Operating (loss)/profit

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

	2022 £	2021 £
Operating lease expense	620,395	481,297
Depreciation of tangible fixed assets	628,009	408,846
Amortisation of intangible fixed assets	716,788	728,894
Fees payable to the company's auditor for the audit of the company's annual accounts	47,000	32,500
Exchange differences	28,854	191
	<u>2,040,046</u>	<u>1,651,538</u>

6. Other operating income

	2022 £	2021 £
Other operating income	29,238	27,576
Coronavirus Job Retention Scheme	-	25,579
	<u>29,238</u>	<u>53,155</u>

SIGMA SPORTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2022 £	2021 £
Wages and salaries	5,635,671	5,415,048
Social security costs	514,710	477,739
Cost of defined contribution scheme	122,728	94,308
	<u>6,273,109</u>	<u>5,987,095</u>

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

	2022 No.	2021 No.
Full time	147	155
Part time	23	30
	<u>170</u>	<u>185</u>

8. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	388,666	236,750
Company contributions to defined contribution pension schemes	16,866	34,710
	<u>405,532</u>	<u>271,460</u>

Emoluments of the highest paid director were £194,417 (2021 - £143,333). Company pension contributions of £4,406 (2021 - £34,710) were made to a pension scheme on their behalf.

There were 3 directors in the company's defined contribution pension scheme (2021 - 3)

A number of directors are paid through Martin Bidco Limited and this is recharged to Sigma Sports Limited.

SIGMA SPORTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

9. Interest payable and similar expenses

	2022	2021
	£	£
Other loan interest payable	-	4,120
	<u>-</u>	<u>4,120</u>
	<u>-</u>	<u>4,120</u>

10. Taxation

	2022	2021
	£	£
Corporation tax		
Current tax on profits for the year	(784,346)	857,292
Adjustments in respect of previous periods	(4,410)	19,561
	<u>(788,756)</u>	<u>876,853</u>
	<u>(788,756)</u>	<u>876,853</u>
Total current tax	<u>(788,756)</u>	<u>876,853</u>
Deferred tax		
Origination and reversal of timing differences	66,657	49,692
Changes to tax rates	19,882	53,418
Adjustment in respect of previous periods	110,798	2,196
	<u>197,337</u>	<u>105,306</u>
Total deferred tax	<u>197,337</u>	<u>105,306</u>
Taxation on (loss)/profit on ordinary activities	<u>(591,419)</u>	<u>982,159</u>

SIGMA SPORTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2021 - *higher than*) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
(Loss)/profit on ordinary activities before tax	<u>(4,151,345)</u>	<u>6,584,733</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(788,756)	1,251,099
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	71,067	32,835
Adjustments to tax charge in respect of prior periods	106,388	21,757
Group relief	-	(376,950)
Tax rate changes	19,882	53,418
Total tax (credit)/charge for the year	<u>(591,419)</u>	<u>982,159</u>

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.

SIGMA SPORTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Intangible assets

	Software Developmen t £	Trademarks £	Total £
Cost			
At 1 January 2022	4,408,821	40,000	4,448,821
Additions	873,775	-	873,775
At 31 December 2022	5,282,596	40,000	5,322,596
Amortisation			
At 1 January 2022	3,439,654	24,000	3,463,654
Charge for the year on owned assets	708,788	8,000	716,788
At 31 December 2022	4,148,442	32,000	4,180,442
Net book value			
At 31 December 2022	1,134,154	8,000	1,142,154
At 31 December 2021	969,167	16,000	985,167

SIGMA SPORTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. Tangible fixed assets

	Freehold property £	Short-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £
Cost or valuation					
At 1 January 2022	2,379,537	1,492,173	1,147,761	99,772	620,196
Additions	9,850	536,396	268,414	96,697	176,770
At 31 December 2022	2,389,387	2,028,569	1,416,175	196,469	796,966
Depreciation					
At 1 January 2022	505,057	251,028	595,181	83,922	317,030
Charge for the year on owned assets	48,083	188,219	237,297	26,991	127,419
At 31 December 2022	553,140	439,247	832,478	110,913	444,449
Net book value					
At 31 December 2022	1,836,247	1,589,322	583,697	85,556	352,517
At 31 December 2021	1,874,480	1,241,145	552,580	15,850	303,166

SIGMA SPORTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. Tangible fixed assets (continued)

	Total £
Cost or valuation	
At 1 January 2022	5,739,439
Additions	1,088,127
At 31 December 2022	<u>6,827,566</u>
Depreciation	
At 1 January 2022	1,752,218
Charge for the year on owned assets	628,009
At 31 December 2022	<u>2,380,227</u>
Net book value	
At 31 December 2022	<u><u>4,447,339</u></u>
At 31 December 2021	<u><u>3,987,221</u></u>

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

	2022 £	2021 £
Freehold	1,836,246	1,874,481
Short leasehold	1,589,322	1,752,574
	<u><u>3,425,568</u></u>	<u><u>3,627,055</u></u>

13. Stocks

	2022 £	2021 £
Raw materials and consumables	13,139,572	16,297,324
	<u><u>13,139,572</u></u>	<u><u>16,297,324</u></u>

SIGMA SPORTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. Debtors

	2022 £	2021 £
Due after more than one year		
Amounts owed by group undertakings	475,886	2,026,809
Prepayments and accrued income	56,536	56,536
	<u>532,422</u>	<u>2,083,345</u>
	2022 £	2021 £
Due within one year		
Trade debtors	884,763	866,902
Other debtors	107,772	183,660
Prepayments and accrued income	270,747	233,181
Tax recoverable	604,464	-
	<u>1,867,746</u>	<u>1,283,743</u>

15. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	4,354,830	3,842,976
	<u>4,354,830</u>	<u>3,842,976</u>

16. Creditors: Amounts falling due within one year

	2022 £	2021 £
Trade creditors	8,991,102	8,823,192
Amounts owed to group undertakings	90,000	139,042
Corporation tax	-	541,194
Other taxation and social security	1,750,133	1,310,976
Other creditors	56,044	-
Accruals and deferred income	1,123,588	810,984
	<u>12,010,867</u>	<u>11,625,388</u>

SIGMA SPORTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

17. Creditors: Amounts falling due after more than one year

	2022 £	2021 £
Amounts owed to group undertakings	1,350,511	1,304,115
	<u>1,350,511</u>	<u>1,304,115</u>

18. Deferred taxation

	2022 £
At beginning of year	(221,306)
Charged to profit or loss	(197,337)
At end of year	<u><u>(418,643)</u></u>

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	(423,509)	(222,575)
Tax losses carried forward	-	-
Short term timing differences	4,866	1,269
	<u><u>(418,643)</u></u>	<u><u>(221,306)</u></u>

SIGMA SPORTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

19. Provisions

	Sales return provision £
At 1 January 2022	115,000
Charged to profit or loss	(65,000)
At 31 December 2022	50,000

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 this year is £50,000 (2022- £115,000) which represents the actual value of margin on returned items during the first 3 months of 2023.

20. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
2,200,004 (2021 - 2,200,004) Ordinary shares shares of £1.00 each	2,200,004	2,200,004

21. Reserves

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.

22. Pension commitments

The company operates a salary sacrifice 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 £122,000 (2021 - £94,308). Contributions totalling £47,881 (2021 - £19,464) were payable to the fund at the reporting date and are included in creditors.

SIGMA SPORTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

23. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	545,652	510,852
Later than 1 year and not later than 5 years	1,761,191	1,920,141
Later than 5 years	766,788	1,153,490
	<u>3,073,631</u>	<u>3,584,483</u>

24. Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

Key management personnel include all directors across the group who together have authority and responsibility for planning, directing and controlling the activities of the group therefore no additional related party disclosure of amounts paid to key management personnel has been given.

25. Post balance sheet events

As part of the going concern assessment for the consolidated group for the next 12 months and beyond, the shareholders agreed to reduce the level of debt outstanding with HSBC. HSBC have supported the company in reaching a sensible position on resetting covenants to be more appropriate. The restructuring will also simplify arrangements with shareholder loan notes.

This restructure was successfully completed in June 2023. For further detail, refer to the information contained in the Strategic report.

26. Controlling party

The ultimate parent of the group is Martin Topco Limited. As at 31 December 2022, no party had a shareholding greater than 50%. Following the group's capital restructuring in June 2023, Primary Capital Partners LLP hold 53.8% of the shares in Martin Topco Limited.