Financial Statements
Tough Mudder Limited

For the year ended 31 December 2017

Registered number: 07202563

Company Information

Director	Kyle McLaughlin (Appointed 12/03/2019) Bradley Dietz (Appointed 12/03/2019)
Registered number	07202563
Registered office	125 Wood Street London EC2V 7AW
Independent Auditors	Grant Thornton UK LLP Chartered Accountants & Senior Statutory Auditor 30 Finsbury Square London EC2A 1AG

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Group Strategic report
For the year ended 31 December 2017

Introduction

The principal activity of the group during the year was the organising and hosting of 10-12 mile obstacle course mud runs around the United Kingdom and Germany.

Business review and principle activity

Tough Mudder Ltd, wholly owned by the parent company Tough Mudder Incorporated, organize, plan and execute events that are hardcore obstacle courses designed to test the participants' all around strength, stamina, mental grit, and camaraderie. Tough Mudder is the premier adventure challenge series in the world.

The group's profit for the year amounted to £410,515 (Unaudited 2016: £383,352). No dividend has been proposed or paid during the year (2016: £nil).

The commercial environment in which the group operates remains competitive, but the directors believe that the company's position as one of the leading producers of obstacle course events will enable it to maintain its current position in the future.

Principal risks and uncertainties

The company uses cash, trade debtors and trade creditors to raise finance for its operations. These expose the company to a number of financial risks which are described in more detail below.

Liquidity Risk
The company ensures sufficient liquidity by producing and reviewing regular cashflow forecasts. It invests cash assets safely and profitably.

Credit Risk
The Company continually monitors its positions with, and credit quality of, its customers and the financial institutions with which it does business. The Company is exposed to credit loss in the event of non-payment by our customers and continually re-evaluates the need for a reserve. However, the Company believes its allowance for doubtful accounts, if any, is sufficient to cover any anticipated non-payment by our customers.

Currency Risk
The financial position and operating results of foreign operations are consolidated using the local currency as the functional currency. The company recognizes gains and losses on transactions that are denominated in a currency other than the respective entity's functional currency. Foreign currency transaction gains and losses also include amounts realized on the settlement of intercompany loans with foreign subsidiaries that are of a short-term nature.

Financial key performance indicators

The principal performance measures used to monitor the business are:

Sales growth: sales increased by 13% to £15,919,906 (Unaudited 2016: £14,091,083) in the twelve months to 31 December 2017.

Operating profit: Operating profit for the year has increased to a profit of £531,519 from a profit of £394,288 (Unaudited 2016) in the twelve months to 31 December 2017.

Group Strategic report

For the year ended 31 December 2017

Going Concern

The directors have prepared the financial statements on the going concern basis. The directors acknowledge that uncertainty exists over the ability of the Group to meet its funding requirements despite having incurred a net profit for the year of £410,515 and the Group's current liabilities exceeded its total assets by £306,951.

The group has no external funding but receives all its financing from Tough Mudder Inc, its immediate parent undertaking. Without the support of its parent undertaking the group would not be a going concern. The directors have prepared a cash flow forecast for the parent company, Tough Mudder Inc, that indicates that general working capital requirements are likely to require further funding within the next 12 months. The success of previous funding initiatives to the parent, supports the directors' reasonable expectation that Tough Mudder Ltd will have sufficient resources to continue in operational existence throughout this period.

The parent undertaking has agreed to continue providing support to enable the company to meet all of its liabilities. Amounts advanced are interest free, have no fixed terms of repayment, and are repayable upon demand. Tough Mudder Inc has confirmed to the directors of Tough Mudder Ltd that it will not recall any funding until such a time as the company is able to repay these amounts without prejudicing its ability to pay its other liabilities as they fall due.

The directors have concluded that the combination of these circumstances represent a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the ordinary course of business. Nevertheless after making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

This report was approved by the board on May 2, 2019 and signed on its behalf.

Kyle McLaughlin
Director

Director's report
For the year ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Director's responsibilities statement

The directors are responsible for preparing the Strategic Report, the Director's 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 it gives a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group'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 Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £410,515 (Unaudited 2016: £383,352).

No dividend has been proposed or paid during the year (2016: £nil).

Director

The director who served during the year was:

W T Dean (Resigned 21/12/2018)

Disclosure of information to auditor

The directors confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's and Group's auditor is unaware, and

Director's report
For the year ended 31 December 2017

- they have taken all the steps that they ought to have taken as directors in order to make themselves be aware of any relevant audit information and to establish that the Company's and Group's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

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

This report was approved by the board on May 2, 2019 and signed on its behalf.

Kyle McLaughlin
Director

Grant Thornton

Independent auditor's report to the members of Tough Mudder Limited

Opinion

We have audited the financial statements of Tough Mudder Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017, which comprise the Consolidated income statement, Consolidated statement of financial position, Company statement of financial position, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated statement of cash flows 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's 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.

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 are independent of the group and the parent 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter – prior year financial statements unaudited

The group did not prepare consolidated financial statements for year end 31 December 2016 and these financial statements were not audited. Accordingly, the corresponding figures for the year ended 31 December 2016 are unaudited.

Material uncertainty related to going concern

We draw attention to note 2.1 in the financial statements, which indicates that the company incurred a net profit of £410,515 during the year ended 31 December 2017 and, as of that date, the group's current liabilities exceeded its total assets by £306,951. As stated in note 2.1, these events or conditions, along with the other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Grant Thornton

Independent auditor's report to the members of Tough Mudder Limited

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

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.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent 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.

Matters on which we are required to report by exception

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 for the financial statements

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.

Grant Thornton

Independent auditor's report to the members of Tough Mudder Limited

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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.

Grant Thornton UK LLP

Christopher Raab, ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date: 2/5/19

Consolidated income statement

For the year ended 31 December 2017

	Note	2017 £	Unaudited 2016 £
Turnover	4	**15,919,906**	14,091,083
Cost of sales		**(10,772,252)**	(8,801,936)
Gross profit		**5,147,654**	5,289,147
Administrative expenses		**(4,616,135)**	(4,894,859)
Operating profit	5	**531,519**	394,288
Interest receivable and similar income	9	**12**	-
Profit before tax		**531,531**	394,288
Tax on profit	10	**(121,016)**	(10,936)
Profit for the year		**410,515**	383,352

There were no items of other comprehensive income for 2017 or 2016 other than those included in the consolidated income statement.

The notes on pages 14 to 25 form part of these financial statements.

Tough Mudder Limited
Registered number:07202563

Consolidated Statement of financial position

As at 31 December 2017

	Note		2017 £		Unaudited 2016 £
Non-current assets					
Tangible assets	11		44,408		19,273
			44,408		19,273
Current assets					
Debtors: amounts falling due within one year	12	13,259,339		11,032,374	
Cash at bank and in hand	13	641,235		5,280,447	
		13,900,574		16,312,821	
Creditors: amounts falling due within one year	14	(14,251,933)		(17,049,560)	
Net current liabilities			(351,359)		(736,739)
Net liabilities			(306,951)		(717,466)
Capital and reserves					
Called up share capital	16		100		100
Profit and loss account	17		(307,051)		(717,566)
Shareholders' deficit			(306,951)		(717,466)

The financial statements on pages 14 to 25 were approved by the board of directors and were signed on its behalf.

Kyle McLaughlin
Director
Date: 2/5/2019

Tough Mudder Limited
Registered number:07202563

Company Statement of financial position

As at 31 December 2017

	Note		2017		Restated 2016
			£		£
Non-current assets					
Tangible assets	11		44,408		19,273
Investments	21		21,371		21,371
			65,779		40,644
Current assets					
Debtors: amounts falling due within one year	12	9,900,501		9,175,606	
Cash at bank and in hand	13	500,747		5,048,352	
		10,401,248		14,223,958	
Creditors: amounts falling due within one year	14	(10,910,025)		(15,055,290)	
Net current liabilities			(508,777)		(831,332)
Net liabilities			(442,998)		(790,688)
Capital and reserves					
Called up share capital	16		100		100
Profit and loss account	17		(443,098)		(790,788)
Shareholders' deficit			(442,998)		(790,688)

The financial statements on pages 14 to 25 were approved by the board of directors and were signed on its behalf.

Kyle McLaughlin
Director
Date: 2/5/2019

Consolidated Statement of changes in equity

For the year ended 31 December 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017	100	(717,566)	(717,466)
Comprehensive income for the year			
Profit for the year	-	410,515	410,515
At 31 December 2017	100	(307,051)	(306,951)

Consolidated Statement of changes in equity

For the year ended 31 December 2016 (Unaudited)

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	100	(1,100,918)	(1,100,818)
Comprehensive income for the year			
Profit for the year	-	383,352	383,352
At 31 December 2016	100	(717,566)	(717,466)

Company Statement of changes in equity
For the year ended 31 December 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017	100	(790,788)	(790,688)
Comprehensive income for the year			
Profit for the year	-	347,690	347,690
At 31 December 2017	100	(443,098)	(442,998)

Company Statement of changes in equity
For the year ended 31 December 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	100	(1,155,170)	(1,155,070)
Comprehensive income for the year			
Profit for the year	-	364,382	364,382
At 31 December 2016	100	(790,788)	(790,688)

Consolidated Statement of cash flows

For the year ended 31 December 2017

Consolidated statement of cash flows For the year ended 31 December 2017	31 December 2017 £	31 December 2016 £
Cash flows from operating activities		
Profit for the financial year	410,515	383,352
Adjustments for:		
Depreciation of tangible assets	16,843	14,215
Investment in Tough Mudder GmbH	-	(21,371)
(Increase) in debtors	(2,226,966)	(5,876,788)
(Decrease)/increase in creditors	(2,797,627)	5,069,224
Net cash used in operating activities	(4,597,235)	(431,368)
Cash flows from investing activities		
Purchase of tangible fixed assets	(41,978)	-
Net cash used in investing activities	(41,978)	-
Cash flows from financing activities	-	-
Net cash from financing activities	-	-
Net (decrease) in cash and cash equivalents	(4,639,213)	(431,368)
Cash and cash equivalents at beginning of year	5,280,447	5,711,815
Cash and cash equivalents at end of year	641,234	5,280,447

Notes to the financial statements

For the year ended 31 December 2017

1. General information

Tough Mudder Ltd is a Private Limited Company, limited by shares and incorporated in England. The registered office is 125 Wood Street, London, EC2V 7AW. Its registered number is 07202563. The principal activity of the entity during the year was the organising and hosting of 10-12 mile obstacle course mud runs around the United Kingdom. The financial statements have been prepared in pound sterling (£), which is also the functional currency of the group.

2. Accounting policies

2.1 Going Concern

The directors have prepared the financial statements on the going concern basis. The directors acknowledge that uncertainty exists over the ability of the Group to meet its funding requirements despite having incurred a net profit for the year of £410,515 and the Group's current liabilities exceeded its total assets by £306,951.

The group has no external funding but receives all its financing from Tough Mudder Inc, its immediate parent undertaking. Without the support of its parent undertaking the group would not be a going concern. The directors have prepared a cash flow forecast for the parent company, Tough Mudder Inc, that indicates that general working capital requirements are likely to require further funding within the next 12 months. The success of previous funding initiatives to the parent, supports the directors' reasonable expectation that Tough Mudder Ltd will have sufficient resources to continue in operational existence throughout this period.

The parent undertaking has agreed to continue providing support to enable the company to meet all of its liabilities. Amounts advanced are interest free, have no fixed terms of repayment, and are repayable upon demand. Tough Mudder Inc has confirmed to the directors of Tough Mudder Ltd that it will not recall any funding until such a time as the company is able to repay these amounts without prejudicing its ability to pay its other liabilities as they fall due.

The directors have concluded that the combination of these circumstances represent a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the ordinary course of business. Nevertheless after making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

Notes to the financial statements
For the year ended 31 December 2017

2. Accounting policies (continued)

2.2 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 ("FRS") 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 judgment in applying the Company's accounting policies (see note 3).

Prior year financial statements were audited on a Tough Mudder Limited standalone basis. In 2017, the Company has presented the financial statements consolidated with its subsidiary Tough Mudder GmbH.

The Company has taken advantage of the exemption under S.408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in those financial statements. The Company's profit for the year, after taxation, amounted to £347,690 (2016: £364,382).

The following principal accounting policies have been applied:

2.3 Revenue

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:

Event Revenue:
Turnover from the provision of events is recognised on the date the event occurs. Where payments are received from customers in advance of the events, the amounts are recorded as Deferred Revenue and included as part of Creditors due within one year.

Sponsorship Revenue:
Turnover from sponsorship represents revenue from sponsorship sales and it is recognised in the year(s) specified per the terms of the sponsorship agreement.

Royalty Revenue:
The company provides sales and marketing support to the group and receives turnover in accordance with the terms of the agreement with the parent undertaking.

Notes to the financial statements

For the year ended 31 December 2017

2. Accounting policies (continued)

2.4 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:

Construction equipment	- 3 years
Fixtures and fittings	- 3-8 years
Leasehold improvements	- 5 years
Office equipment	- 8 years

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 Statement of comprehensive income.

2.5 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.

2.6 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

Notes to the financial statements

For the year ended 31 December 2017

2. Accounting policies (continued)

2.7 Financial instruments

The Company only enters into basic financial instruments 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 and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), if any, 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 financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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 reporting date.

Financial assets and liabilities are offset, and the net amount reported in the Statement of financial position 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.

2.8 Creditors

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

Notes to the financial statements
For the year ended 31 December 2017

2. Accounting policies (continued)

2.9 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income 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.

2.10 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 Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.11 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.12 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 Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position 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 Statement of financial position.

Notes to the financial statements
For the year ended 31 December 2017

2. Accounting policies (continued)

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, 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 reporting 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 Statement of financial position 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 reporting date.

2.14 Basis of consolidation

The consolidated financial statements include the financial statements of Tough Mudder Ltd and its subsidiary, Tough Mudder, GmbH as of 31 December 2017.

2.15 Restatement

In previous years, the investment in Tough Mudder, GmbH was not recorded within the parent company, Tough Mudder Ltd. The previous year's statement of financial position has been restated to reflect the carrying value of the investment in the subsidiary.

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

There are no material judgements or estimates in preparation of these financial statements.

Notes to the financial statements

For the year ended 31 December 2017

4. Turnover

An analysis of turnover by class of business is as follows:

	2017 £	Unaudited 2016 £
Event revenue	**12,076,454**	10,571,561
Sponsorship revenue	**2,472,112**	3,122,879
Royalty revenue	**1,266,306**	281,739
Other revenue	**105,034**	114,904
	15,919,906	14,091,083

Analysis of turnover by country of destination:

	2017 £	Unaudited 2016 £
United Kingdom	**11,702,125**	11,199,074
Ireland	**2,901**	27,081
Germany	**4,214,880**	2,864,928
	15,919,906	14,091,083

5. Operating profit

The operating profit is stated after charging:

	2017 £	Unaudited 2016 £
Depreciation of tangible fixed assets	**16,843**	14,215
Other operating lease rentals	**116,565**	90,530
Defined contribution pension cost	**19,747**	9,041

Notes to the financial statements

For the year ended 31 December 2017

6. Auditor's remuneration

	2017	2016
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Group's annual financial statements	29,000	17,500

7. Employees

	2017	2016
	£	£
Wages and salaries	1,504,784	1,320,525
Social security costs	173,298	170,413
Cost of defined contribution scheme	19,747	9,041
	1,697,829	1,499,979

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

	2017	2016
	No.	No.
Administration	29	25

8. Director's remuneration

	2017	2016
	£	£
Director's emoluments	445,485	329,670
	445,485	329,670

9. Interest receivable and similar charges

	2017	2016
	£	£
Other interest receivable	12	-
	12	-

Notes to the financial statements
For the year ended 31 December 2017

10. Taxation

	2017 £	Unaudited 2016 £
Corporation tax		
Current tax on profits for the year	121,016	10,936
Total current tax	121,016	10,936

Factors affecting tax charge for the year

The tax assessed for the year is higher (2016 - lower) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are explained below:

	2017 £	Unaudited 2016 £
Profit on ordinary activities before tax	531,531	394,288
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	106,306	78,858
Effects of:		
Utilization of prior year net operating loss	14,710	67,922
Total tax charge for the year	121,016	10,936

Factors that may affect future tax charges

There were no factors that may affect the tax charge.

Notes to the financial statements

For the year ended 31 December 2017

11. Tangible fixed assets – Group and Company

Cost or valuation	Construction equipment £	Fixtures and fittings £	Office equipment £	Lease improvement £	Total £
At 1 January 2017	20,250	40,752	11,566	-	72,568
Additions	-	-	-	41,978	41,978
At 31 December 2017	**20,250**	**40,752**	**11,566**	**41,978**	**114,546**
Depreciation					
At 1 January 2017	14,850	32,498	5,947	-	53,295
Charge for the period on owned assets	4,050	8,254	1,391	3,148	16,843
At 31 December 2017	**18,900**	**40,752**	**7,338**	**3,148**	**70,138**
Net book value					
At 31 December 2017	**1,350**	**-**	**4,228**	**38,830**	**44,408**
At 31 December 2016 (Unaudited)	5,400	8,254	5,619	-	19,273

12. Debtors

	Consolidated 2017 £	Unaudited Consolidated 2016 £	Company 2017 £	Company 2016 £
Trade debtors	**1,233,578**	1,503,204	**1,086,555**	1,417,994
Amounts owed by group undertakings	**11,318,021**	9,313,241	**8,273,573**	7,573,883
Prepayments and accrued income	**707,740**	215,929	**540,373**	183,729
	13,259,339	11,032,374	**9,900,501**	9,175,606

Notes to the financial statements

For the year ended 31 December 2017

13. Cash and cash equivalents

	Consolidated 2017 £	Unaudited Consolidated 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	**641,235**	5,280,447	**500,747**	5,048,352

14. Creditors: Amounts falling due within one year

	Consolidated 2017 £	Unaudited Consolidated 2016 £	Company 2017 £	Company 2016 £
Trade creditors	**540,825**	293.,724	**439,426**	219,876
Amounts owed to group undertakings	**6,542,310**	9,837,398	**4,686,775**	9,257,387
Taxation and social security	**703,327**	559,927	**594,052**	423,038
Accruals and deferred income	**6,465,471**	6,358,511	**5,189,772**	5,154,989
	14,251,933	17,049,560	**10,910,025**	15,055,290

15. Share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
100- Ordinary shares of £1 each	**100**	100

Notes to the financial statements
For the year ended 31 December 2017

16. Reserves

Profit and loss account

Includes all current and prior period retained profit and losses.

17. Pension commitments

The Company operates a defined contributions 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 £19,747 (2016 - £9,041). Contributions totalling £nil (2016 - £nil) were payable to the fund at the balance sheet date and are included in creditors.

18. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Consolidated 2017 £	Unaudited Consolidated 2016 £	Company 2017 £	Company 2016 £
No later than 1 year	65,481	49,572	65,481	49,572
Later than 1 year and not later than 5 years	671,349	-	671,349	-
	736,830	49,572	736,830	49,572

19. Controlling party

The group is a wholly owned subsidiary of Tough Mudder Inc. The immediate and ultimate parent undertaking and controlling party is Tough Mudder Inc, a company incorporated in the USA.

20. Related Party Transactions

There are no related party transactions to report as per the requirements of FRS 102.

21. Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Tough Mudder GmBH	Ordinary - Germany	100%	Organising and hosting 10-12 mile obstacle course mud runs

The registered office for Tough Mudder GmBH ia Hegelplatz 1, 10117, Berlin, Germany