Company Registered Number: NI036744

CHAIN REACTION CYCLES LIMITED

Annual Report and Financial Statements

for the 52 weeks ended 31 December 2017

CONTENTS

Officers and Professional Advisors

DIRECTORS

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

Registered number: NI036744

REGISTERED OFFICE

5 Trench Road
Mallusk
Newtonabbey
Northern Ireland, BT36 4TY

BANKER

HSBC Bank plc
165 High Street
Southampton, SO14 2NZ

SOLICITOR

Travers Smith LLP
10 Snow Hill
London, EC1A 2AL

AUDITOR

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

Strategic Report

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

Corporate Structure

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

Chain Reaction Cycles Limited is a direct subsidiary of Mapil Bidco Limited and is indirectly owned by Mapil Topco Limited.

Principal Activity

Up to 28 August 2017 the Company's business was as an online retailer trading through a number of domains worldwide specialising in cycle products to inspire everybody, everywhere to experience the joy of sport. The business offered a wide range of cycle products (equipment, clothing and accessories) which it ensures are competitively priced. Chain Reaction Cycles services customers across the globe from its operating facilities in the UK.

After 28 August 2017 the Company's business was that of a management company that holds property, leases and employee contracts. All of these assets are used to provide services to other Group Companies.

Business Review

On 28 August 2017 the trade and assets of Chain Reaction Cycles Limited was transferred to Wiggle Limited. Therefore the current and previous period results whilst both for a 52 week period are not comparable due to the fact that the current year contains eight months of trade with regards to online retail sales. For the remaining four months the Company operated as a management company providing services to Wiggle Limited.

Before taking account of exceptional costs the profit before tax was £10,725,000 *(1 Jan 2017: £7,082,000)*.

Revenue has decreased to £127,485,000 *(1 Jan 2017: £167,936,000)*, this will be partially driven by the removal of 4 months trade to Wiggle.

The company has net assets of £38,751,000 *(1 Jan 2017: £31,220,000)*.

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

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

Financial Risk Management Objectives and Policies

The Company's activities expose it to a number of financial risks including currency risk, credit risk, liquidity risk and interest rate risk. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes. Further detail can be found in Mapil Topco Group consolidated accounts, note 18.

Currency risk

During the first 8 months of the period the Company's costs were predominantly in GBP whilst only around half of its turnover was denominated in GBP. The principal currencies received were Euros, Australian Dollars, US Dollars and Japanese Yen. This means that when GBP strengthens against other currencies, the GBP value of the sales in those currencies reduced. The Company managed this exposure as part of its day to day management of trading margins and profitability. Since the hive up the currency risk has been eliminated as the Company's costs and income are now predominantly in GBP.

Credit risk

During the first 8 months of the period the Company's principal financial assets were bank balances, cash and trade and other receivables. The Company's credit risk was low as it had limited trade receivables. The credit risk on liquid funds and derivative financial instruments was limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Company had no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. since the hive up the credit risk has been eliminated as the Company's receivables are predominantly intercompany balances.

Liquidity risk

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

Strategic Report (continued)

This Strategic Report was approved by the Board on 19 September 2018

By order of the board:

N Gresham
Director

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

Directors' Report

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

Chain Reaction Cycles Limited is a direct subsidiary of Mapil Bidco Limited and is indirectly owned by Mapil Topco Limited.

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

Going Concern

The operations of the Company are closely linked to that of the wider Group. In adopting the going concern basis for preparing the financial statements, the Directors have considered the principal activities as well as the business risks of the Company and Group, as set out in the Strategic Report. Key events which the Board have taken into account in reaching their assessment are set out below.

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

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

Detailed cash flow projections have been prepared which demonstrate the Group has sufficient financial resources and is forecast to trade within the revised financial covenants set out in the new agreement. These projections have been sensitized against reasonable downside scenarios.

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

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

Directors

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

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

The directors who held office at the end of the period had no disclosable interest in the shares of the Company.
The Group provides Directors' and Officers' insurance protection for all of the directors of the companies in the Group.

Shareholders

As set out in note 18, Chain Reaction Cycles Limited's parent company is Mapil Bidco Limited and its ultimate parent company is Mapil Topco Limited. Bridgepoint is Mapil Topco Limited's major shareholder and has been since 2011.

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

People and colleagues

Equal opportunities

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

Directors' Report (continued)

People and colleagues (continued)
Employee engagement and participation
Employees are encouraged to participate actively in the business and with its strategy. Regular updates are held to inform employees about the business performance and the main factors that deliver success, including financial and economic factors affecting the company. These include regular updates and conferences where the Group communicates and engages with all employees on its key priorities, business plans and the ongoing development of its brands.
Employees are invited to participate in regular employee surveys to facilitate and aid consultation on decisions that affect their interests and concerns as employees.

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

Charitable and Political Contributions
The Group made no political or charitable contributions during the period *(1 Jan 2017: £nil).*

Disclosure of Information to Auditor
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

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

The Directors' Report was approved by the Board on 19 September 2018.

By order of the board:

N Gresham
Director

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

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Reports and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CHAIN REACTION CYCLES LIMITED

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Going concern

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

Strategic report and directors' report

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

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

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

J Childs-Clarke

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

28 September 2018

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

	Note	Trading results 31 December 2017 £'000	Non-recurring costs 31 December 2017 £'000	Total trading results 31 December 2017 £'000	Trading results 1 January 2017 £'000	Non-recurring costs 1 January 2017 £'000	Total trading results 1 January 2017 £'000
Turnover		127,485	-	127,485	167,936	-	167,936
Cost of sales		(105,807)	-	(105,807)	(130,399)	-	(130,399)
Gross profit		21,678	-	21,678	37,537	-	37,537
Administrative expenses		(14,521)	(2,656)	(17,177)	(30,250)	(1,379)	(31,629)
Operating profit		7,157	(2,656)	4,501	7,287	(1,379)	5,908
Interest receivable and similar income	7	3,570	-	3,570	34	-	34
Interest payable and similar charges	7	(2)	-	(2)	(239)	-	(239)
Loss before tax		10,725	(2,656)	8,069	7,082	(1,379)	5,703
Taxation	8	(538)	-	(538)	(836)	-	(836)
Loss from continuing operations		10,187	(2,656)	7,531	6,246	(1,379)	4,867

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

There are no other comprehensive gains or losses for the current or preceding financial period.

The notes on pages 12 to 23 are an integral part of these financial statements.

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

	Note	31 December 2017 £'000	1 January 2017 £'000
Fixed assets			
Intangible assets	9	-	1,287
Tangible assets	10	1,134	6,319
Investment	11	-	1,162
		1,134	8,768
Current assets			
Inventories	12	-	32,014
Asset held for sale		1,541	-
Trade and other receivables	13	71,505	18,745
Cash at bank and in hand		1,895	4,726
Total current assets		74,941	55,485
Creditors: amounts falling due within one year	14	(37,172)	(32,868)
Net current assets		37,769	22,617
Total assets less current liabilities		38,903	31,385
Creditors: amounts falling due after one year	15	(152)	-
Deferred tax liability	8	-	(165)
Net assets		38,751	31,220
Capital and reserves			
Called up share capital	16	-	-
Profit and loss		38,751	31,220
Shareholders' funds		38,751	31,220

The notes on pages 12 to 23 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 19 September 2018.

Signed on behalf of the Board of Directors

N Gresham

Director

Statement of changes in equity
At 31 December 2017

	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
At 31 December 2015	-	26,353	26,353
Profit for the period	-	4,867	4,867
At 1 January 2017	-	31,220	31,220
Profit for the period	-	7,531	7,531
At 31 December 2017	-	38,751	38,751

Notes to the financial statements

1. General information

Chain Reaction Cycles Limited ("Company") is a private company incorporated in the United Kingdom on 18 August 1999 with company number NI036744. The registered address of the Company is 5 Trench Road, Mallusk, Newtonabbey, Northern Ireland, BT36 4TY.

2. Summary of significant accounting policies

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

Statement of compliance

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

Basis of preparation

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

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

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

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

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

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the Group consolidated financial statements.

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

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

Going Concern

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

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

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

Notes to the financial statements (continued)

2. **Summary of significant accounting policies** (continued)

Going Concern (continued)

Detailed cash flow projections have been prepared which demonstrate the Group has sufficient financial resources and is forecast to trade within the revised financial covenants set out in the new agreement. These projections have been sensitized In addition the Company has obtained a letter of support from it's parent Mapil Topco Limited, the directors have also assessed the external loans held by the parent company entities not included within these accounts and are comfortable that there are no repayments of any debt or interest falling due within the next 12 months that would affect the cash flow projections of this Group.

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

Turnover

Turnover arising from sales represents the invoiced amounts of goods and services provided during the period, stated net of value added tax and after any concession fees.

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

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

Management fee income is recognised as a credit to administrative expenses, due to the fact that it predominantly relates to the recharge of staff services.

Dividend distribution

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

Pensions

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

Net finance costs

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

Current taxation

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

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

Property, plant and equipment

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

Asset Class	**Depreciation Policy**
Freehold property	50 years
Equipment and fixtures:	
Computer and communications equipment	2 to 4 years
Fixtures, fittings and furniture	15% on reducing balance
Plant and machinery	5 years
Motor vehicles	25% on reducing balance

Intangible assets

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

Asset Class	**Amortisation Policy**
Software and licenses	3 to 10 years or licence period

Notes to the financial statements (continued)

2. **Summary of significant accounting policies** (continued)

Intangible assets (continued)

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

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

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

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

Impairment of non-financial assets

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

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

Financial Instruments

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

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

Investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Effective interest method

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

Financial Assets

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

Financial liabilities at FVTPL

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

2. Summary of significant accounting policies (continued)

Financial assets at FVTPL

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

Loans and receivables

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

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

Financial liabilities

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

Derecognition of financial liabilities

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

Impairment of financial assets

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

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

Other financial liabilities

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

Derecognition of financial liabilities

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

Leasing

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

Operating leases

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

Lease incentives

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

Trading stock

Inventories are valued at the lower of cost and net realisable value. Provisions are created for prior season stock to write these down to net realisable value.

Deferred taxation

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

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

2. Summary of significant accounting policies (continued)

Deferred Taxation (continued)

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

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

Employee benefits

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

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

Non-recurring items:

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

3. Turnover

	31 Dec 2017 £'000	1 Jan 2017 £'000
United Kingdom	51,825	69,368
Europe	25,619	27,246
Rest of World	50,041	71,322
	127,485	167,936

This analysis is based on the geographical location of customers.

4. Expenses and Auditor's Remuneration

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

	31 Dec 2017 £'000	1 Jan 2017 £'000
Within other operating expenses:		
Restructuring and loss of office payments[1]	250	1,379
Integration of CRC into Wiggle[2]	288	-
Waive of intercompany loan[3]	(332)	-
Loss on closure and exit of warehouse facility in Northern Ireland[4]	2,450	-
Non-recurring items for the period	2,656	1,379

Notes to the financial statements (continued)

4. Expenses and Auditor's Remuneration (continued)

[1] During the year the executive team was restructured and a new CEO and CFO were appointed. The costs associated with the departure of the previous executive and appointment of the new executive have been treated as one-off and non-recurring. The costs in the prior year related to the provision of termination payments.

[2] During the year two of the three warehouses in Northern Ireland were closed and warehousing operations were transferred to Citadel. During the transfer the costs identified as exceptional include dual running costs and the associated disruption and inefficiency that resulted from successfully executing the move whilst maintaining customer SLAs. The final impact of this transfer was completed in 2018.

[3] Following the integration and rationalisation of the Group's corporate structure, investments and intercompany balances with Ruption Limited, CRC Purchasing Limited and CRC Ireland Limited were fully written down, this resulted in a balance remaining on the intercompany loans, this was subsequently waived.

[4] During the year the Kilbride warehouse and office space in Northern Ireland was exited and was put up for sale, the asset was reviewed and costs relating to improvement were impaired down to market value. The property was on the market at the period end and was therefore classified as held for sale.

	31 Dec 2017 £'000	1 Jan 2017 £'000
Other charges/ (credits):		
Depreciation of tangible assets	348	468
Amortisation of intangible assets	-	120
	348	588
Operating leases - land and buildings	357	383
Loss on disposal and impairment of tangible assets	3,481	11
	4,186	982

	31 Dec 2017 £'000	1 Jan 2017 £'000
Auditors' remuneration:		
Audit services statutory audit	27	33
Other services relating to taxation and sundry matters	-	-
	27	33

5. Staff numbers and costs

	31 Dec 2017 £'000	1 Jan 2017 £'000
The aggregate payroll costs during the period amounted to:		
Wages and salaries	8,817	11,759
Social security costs	754	1,031
Other pension costs	126	309
Temporary staff	1,312	2,593
	11,009	15,692

Average number of employees employed by the Company during the period analysed by category, was as follows:

	31 Dec 2017 Number	1 Jan 2017 Number
Head office and administration	274	381
Warehouse	110	89
Total	384	470

Notes to the financial statements (continued)

6. Directors' Emoluments

The directors did not receive any emoluments for services provided to the company during the period *(1 Jan 2017: £nil)*.

7. Finance income and finance cost

	31 Dec 2017 £'000	1 Jan 2017 £'000
Finance income		
Receivable from group companies	710	-
Bank interest receivable	-	34
Exchange Gain	1,783	-
Dividends	1,077	-
	3,570	34
Finance costs		
Management Fee	-	51
Exchange Loss	-	36
Finance charges	-	94
On bank loans and overdrafts and other similar amounts	2	58
	2	239

The management fee was previously included within finance costs as the Group debt is held and interest costs incurred in another Group company, the management fee provides income to that Group company.

8. Taxation

	31 Dec 2017	1 Jan 2017
Recognised in the profit and loss account	£'000	£'000
Current tax		
UK corporation tax on profits for the periods	-	537
Adjustments in respect of prior periods	595	190
Total current tax	595	727
Deferred tax		
Origination and reversal of temporary differences	(64)	131
Impact of rate change	-	(28)
Adjustments in respect of prior periods	7	6
Total deferred tax	(57)	109
	538	836

Notes to the financial statements (continued)

8. Taxation (continued)

Reconciliation of effective income tax credit

The charge for the period can be reconciled to the loss per the income statement as follows:

	31 Dec 2017 £'000	1 Jan 2017 £'000
Profit before tax	8,069	5,703
Weighted average tax rate	19.25%	20.00%
At the weighted average income tax rate	1,553	1,141
Expenses not deductible for tax purposes	611	33
Group relief	(2,236)	(506)
Impact of rate change	8	(28)
Adjustments in respect of prior periods	602	196
	538	836

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

Deferred tax	Accelerated Capital allowances £'000	Other short term temporary differences £'000	Total £'000
At 31 December 2015	(56)	-	(56)
Movement in the year	(137)	-	(137)
Effects of changes in rate	28	-	28
At 1 January 2017	(165)	-	(165)
Movement in the year	57	-	57
Effects of changes in rate	-	-	-
Transfer out	108	-	108
At 31 December 2017	-	-	-

Notes to the financial statements (continued)

9. Intangible assets

	Software and licenses £'000	Total £'000
Cost		
At 1 January 2017	2,180	2,180
Transfer at net book value	(1,447)	(1,447)
Disposals	(733)	(733)
At 31 December 2017	-	-
Amortisation		
At 1 January 2017	893	893
Depreciation	78	78
Transfer at net book value	(252)	(252)
Disposals	(719)	(719)
At 31 December 2017	-	-
Net book value		
At 31 December 2017	-	-
At 1 January 2017	1,287	1,287

On 28 August 2017, all intangible assets were transferred at book value to a fellow group company; Wiggle Limited.

10. Tangible assets

	Freehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Equipment £'000	Total £'000
Cost					
At 1 January 2017	6,054	2,235	179	3,982	12,450
Additions	97	39	-	-	136
Transfer at net book value	-	(106)	(148)	(1,994)	(2,248)
Disposals	(4,782)	(2,168)	(31)	(1,988)	(8,969)
At 31 December 2017	1,369	-	-	-	1,369
Depreciation					
At 1 January 2017	957	2,207	123	2,844	6,131
Depreciation	72	154	10	34	270
Impairment	519	-	-	-	519
Transfer at net book value	-	(92)	(102)	(97)	(291)
Disposals	(1,313)	(2,269)	(31)	(2,781)	(6,394)
At 31 December 2017	235	-	-	-	235
Net book value					
At 31 December 2017	1,134	-	-	-	1,134
At 1 January 2017	5,097	28	56	1,138	6,319

On 28 August 2017, all tangible assets were transferred at book value to a fellow group company; Wiggle Limited.

Notes to the financial statements (continued)

11. Fixed asset investments

	Investments in subsidiary companies £'000
Net book value at 1 January 2017	1,162
Capital returned on striking off of investment	(1,162)
Net book value at 31 December 2017	-

During the year Ruption Limited was struck off the register of companies. After the transfer of trade and assets of Chain Reaction Cycles Limited to Wiggle Limited, Chain Reaction Cycles Ireland Limited ceased to trade, for this reason the investments were impaired down to the nominal value of the share capital held in the companies detailed below.

Subsidiary undertakings

The following are wholly owned subsidiary companies of Chain Reaction Cycles Limited.

Name		Class of shares held	Principal activity
Chain Reaction Cycles Retail Limited 5 Trench Road, Mallusk, Newtonabbey, BT36 4TY, Northern Ireland	United Kingdom	Ordinary	Retail of cycle goods
Chain Reaction Cycles Ireland Limited 3 Massytown, Macroom, County Cork, Republic of Ireland	Republic of Ireland	Ordinary	Dormant
CRC Purchasing (Ireland) Limited 3 Massytown, Macroom, County Cork, Republic of Ireland	Republic of Ireland	Ordinary	Dormant

12. Inventories

	31 Dec 2017 £'000	1 Jan 2017 £'000
Finished goods and goods for resale	-	32,014

All inventories are carried at cost less a provision to take account of slow moving and obsolete items. The cost of inventories recognised as an expense during the period was £86,604,000 *(1 Jan 2017: £91,600,000)*. In addition, inventories have been reduced by £4,700,000 *(1 Jan 2017: £4,310,000)* as a result of the write down to net realisable value. Such write downs were recognised as an expense.

13. Trade and other receivables

	31 Dec 2017 £'000	1 Jan 2017 £'000
Amount due from group companies	66,313	11,595
Prepayments and accrued income	4,098	6,944
Corporation tax	276	-
Other taxes and social security	721	-
Other receivables	97	206
	71,505	18,745

Notes to the financial statements (continued)

14. Creditors: Amounts falling due within one year

	31 Dec 2017 £'000	1 Jan 2017 £'000
Amount owed to group companies	35,102	2,871
Trade creditors	474	14,220
Corporation tax	-	91
Other taxes and social security	228	3,706
Other creditors	1,368	11,980
	37,172	32,868

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

Dilapidations	31 Dec 2017 £'000	1 Jan 2017 £'000
Balance at beginning of the period	-	-
Provisions made during the period	152	-
Utilised in the period	-	-
	152	-

A dilapidations and asset retirement provision is made to cover the exceptional future cost of returning properties to the condition required by the lessor upon exit from the lease. It is based on management's assessment of the current state of properties in the Company's portfolio and an assessment of inflation and discount rates. These provisions are expected to be used within the next 10 years.

16. Share capital

Called up, allotted and fully paid	31 Dec 2017 £	1 Jan 2017 £
300 Ordinary shares of £1 each	300	300

The Ordinary Shares have full voting and distribution rights.

17. Commitments and contingencies

Cross Company Guarantees

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

Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	Land and building leases 31 Dec 2017 £'000	Land and building leases 1 Jan 2017 £'000
Less than one year	202	142
Between one and five years	1,012	97
More than five years	644	-
	1,858	239

The Company leases office locations under operating leases. The leases are of varied length, with the longest lease running until 2026, with many leases having options to extend at the end of the lease term.

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

Notes to the financial statements (continued)

18. Ultimate and immediate parent undertaking and controlling party

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

At 31 December 2017, the results of the Company are consolidated in Mapil Topco Limited. The consolidated financial statements of this company are available to the public from Companies House, Cardiff, CF14 3UZ. The registered office Mapil Topco Limited is 1000 Lakeside, Suite 310, Third Floor, N E Wing, Portsmouth, PO6 3EN. The Group's controlling shareholder is Bridgepoint Europe IV (Nominees) Limited. The registered office of Bridgepoint Europe IV (Nominees) Limited is 95 Wigmore Street, London, W1U 1FB. Bridgepoint Europe IV (Nominees) Limited holds the shares as nominee for the partnerships which make up the Bridgepoint Europe IV Fund, which is managed by Bridgepoint Advisers Holdings a company regulated by the Financial Conduct Authority and incorporated in England and Wales. The registered office of Bridgepoint Advisers Holdings is 95 Wigmore Street, London, W1U 1FB.

19. Related party disclosures

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