

Company Registered Number: 02667809

WIGGLE LIMITED

Annual Report and Financial Statements

for the 52 weeks ended 29 December 2019



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Officers and Professional Advisers

Directors

A Bruce (appointed 31 May 2019)
A Clemmow (appointed 31 January 2019)
M Davy (resigned 2 July 2019)
N Gresham (resigned 31 May 2019)
W Kernan (resigned 31 January 2019)

Registered Office

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

Banker

HSBC Bank plc
165 High Street
Southampton, SO14 2NZ

Solicitor

Travers Smith LLP
10 Snow Hill
London, EC1A 2AL

Auditor

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

Strategic Report

The directors present their report and the audited financial statements for the 52 weeks ended 29 December 2019 (*2018: 52 weeks ended 30 December 2018*).

Principal Activity

WiggleCRC is a leading, global, online cycling and multisport business. WiggleCRC develops its own cycling and fitness products and brands, which are retailed online alongside a carefully selected range of the best third party brands to provide a comprehensive and competitive range of products and services to more than two million customers worldwide.

WiggleCRC operates in an attractive and growing global fitness market of more than £100bn. The business generated more than £315m in revenue in 2019 with more than half of revenues coming from international territories, outside of the UK. WiggleCRC operate 14 websites in local language and ships to more than 70 countries.

WiggleCRC comprises two well established retail brands, Wiggle and Chain Reaction Cycles, both of which offer a unique customer proposition via their own dedicated website but with shared support functions and distribution infrastructure.

Core to WiggleCRC's product range is a highly successful and fast growing range of owned brands, designed and developed by expert in-house teams to serve the needs of a committed and passionate customer base. These owned brands include dhb – premium, performance clothing, footwear and protection for cycling; Nukeproof – a disruptive mountain biking brand encompassing bikes, bike components and clothing; Vitus – bikes for riders of all disciplines at exceptional prices and Föhn – premium outdoor clothing. Further own brand ranges offer cycling components and essentials to customers on the Wiggle and Chain Reaction websites including Brand X, Lifeline, Prime and Lifeline X-Tools.

In addition to the online businesses the Group operates a retail store in Northern Ireland and also wholesales cycling goods to retail outlets in the UK and Europe via a trading entity, Hotlines Europe Limited.

Strategy and Business Review

During 2019, the Company has made good progress against its strategic priorities to deliver sustainable, profitable growth.

Revenue Growth

The Company aims to build its owned brand portfolio to more than £100m in revenues and made good progress against this objective during 2019, delivering sales of £56m representing 16% growth vs 2018. Owned brands will continue to grow as a proportion of the business driven by investment in product range, marketing and by expanding routes to market by further utilisation of the Hotlines distribution business. The Company has also identified significant growth opportunities in the run and outdoor categories where major proposition improvements are in progress with the potential to deliver significant revenue growth.

Whilst revenue is expected to grow in future, during the period revenue declined due to "one off" factors including several large third party brands limiting the sales of their products to certain international regions and also the impact of sales tax on cross border e-commerce sales in Australia.

Margin Expansion

The Company has made good progress in improving the profitability of sales through 2019 with product margins improving significantly, driven by an increase in the mix of highly profitable owned brands, improved stock management and better buying.

Business Efficiency

During 2019, the Company completed several restructuring activities aligning the size and shape of the head office functions and overhead costs to better support the ongoing strategy of the business. These activities delivered a reduction in administrative expenses of c£9m. The Company will continue to improve efficiency across all areas of the business. Marketing efficiency will continue to be improved by improved customer segmentation and targeting, improving the visibility of the websites online and by improving customer conversion via regular improvements to the customer experience online. Customer services and warehouse operations will also be subject to targeted programmes designed to improve accuracy, speed and lower overall costs.

The continued focus on these initiatives enable the Company to be well placed to build on the improvements made during 2019 driving further improvements in EBITDA during 2020 and beyond.

Covid-19

The business has responded well to the challenges of coronavirus. The Company has continued to operate effectively during the pandemic, by successfully moving all head office functions to home working and by carefully adapting the working environment and working practices in the warehouses to safeguard the health and wellbeing of all colleagues. Sales since the start of the pandemic have increased significantly and are consistently well above 2019 levels. The business expects to see continued sales growth through 2020 as cycling, running and walking provide a safe way to commute to work and staying fit and active outdoors are more relevant to more customers than ever before. Proactive supplier management has minimised any disruption to the flow of stock and the business has been able to secure additional stocks of fast selling items. Delivery companies have continued to operate throughout the period although the business has, where necessary, switched carriers to maintain service and minimise costs. The Group will continue to monitor the situation carefully and is well placed to react swiftly to future developments.

Strategic Report (continued)**2019 Reported Financials - Additional Context**

The decrease in revenues to £310,964,000 (2018: £345,482,000) was in large part due to 'one-off' factors including several large third party brands limiting the sales of their products to certain international regions and also the impact of the introduction of sales tax on cross border e-commerce sales in Australia.

EBITDA is £371,000 (2018: loss of £1,381,000) before taking account of non-recurring costs. Loss before tax, after taking account of non-recurring costs, depreciation and financing costs, is £39,337,000 (2018: £37,950,000).

As at the end of the period, the Group has net liabilities of £85,895,000 (2018: £46,337,000).

Future Performance

For details on the future performance of the business see the Strategy and Business Review above.

Corporate Structure

Mapil Topco Limited and its subsidiary companies form the Mapil Topco Group of Companies ("the Group"). Wiggle Limited is the main trading company in the Group. In addition Wiggle Australia (Pty) Limited, Hotlines Europe Limited and Chain Reaction Cycles Retail Limited are also trading companies all controlled by Mapil Topco Limited ("the Group"). Chain Reaction Cycles Limited provides management services to Wiggle Limited.

Financial Risk Management Objectives and Policies

The Company's activities expose it to a number of financial risks including currency risk, credit risk and liquidity risk.

Currency risk

The Group's costs are predominantly in GBP with 71% of payments being denominated in GBP, whilst only 49% of turnover and 56% of cash receipts are denominated in GBP. The principal foreign currencies where more is received than paid are Euros, Australian Dollars and Japanese Yen. This means that when GBP strengthens against these currencies, the GBP value of sales reduces. The principal foreign currency where more is paid than received is the US Dollar. This means that when GBP strengthens against this currency the GBP value of costs reduces. The Group manages this exposure as part of its day to day management of trading margins and profitability.

Credit risk

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

Liquidity risk

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

Brexit risk

The Group continues to monitor the Brexit process and any opportunities or risks that could arise. Potential risks have been considered and where appropriate mitigating actions have been developed.

This Strategic Report was approved by the Board on 30 June 2020

By order of the Board:



A Bruce
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 weeks ended 29 December 2019 (2018: 52 weeks ended 30 December 2018).

Wiggle Limited is a direct subsidiary of Ensco 503 Limited and is indirectly owned by Mapil Topco Limited. The Company comprises two core trading brands, Wiggle and Chain Reaction Cycles which together are referred to as "WiggleCRC".

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.

Results and Dividend

The results for the period are shown on page 10. No dividends have been paid during the year (2018: £nil) and the directors do not recommend the payment of a dividend (2018: £nil).

Going Concern

Notwithstanding net liabilities of £85,895,000 as at 29 December 2019 and a loss for the year then ended of £39,558,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company, Mapil Topco Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Mapil Topco Limited and all other subsidiaries within the Group not seeking repayment of the amounts currently due to them, which at 29 December 2019 amounted to £156,899,000, and providing additional financial support during that period. Mapil Topco Limited has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due to Mapil Topco Limited and all other subsidiaries within the Group at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

With regard to the Group's going concern assessment, as discussed in the Group's consolidated accounts for Mapil Topco Limited, in adopting the going concern basis for preparing the financial statements, the directors of the Group have considered the principal activities and the business risks, as set out in the Group's Strategic Report, the financial performance for the period ended 29 December 2019 and expectations for the financial performance for 2020, and the performance of the business against these expectations following the period end. Closing cash for the Group at the 29 December 2019 was £5,860,000.

The plan for 2020 is for positive development in EBITDA through the initiatives discussed in more detail in the Group's Strategic Report. Underpinning this plan is an expectation to generate cash from operations through profitable growth and working capital efficiency and to re-invest this cash into the business as part of the 2020 capital investment plan. The result of this would be a modest increase in the closing cash balance. At the time of signing the accounts, business performance in 2020 has exceeded these expectations with EBITDA and net cashflow both well in excess of the 2020 budget.

Key events and factors which the Board have taken into account in reaching their assessment are set out below.

Covid-19

The Group's business has responded well to the challenges of coronavirus. Sales since the start of the pandemic have increased significantly and are consistently well above 2019 levels, with sales in April, May and June significantly higher than the previous year. The business expects to see continued sales growth through 2020 as cycling, running and walking provide a safe way to commute to work and staying fit and active outdoors are more relevant to more customers than ever before. Proactive supplier and operational management have minimised any disruption to the flow of stock, both into the warehouse and out to customers. The Group will continue to monitor the situation carefully and is well placed to react swiftly to future developments. The planning assumptions for the rest of the year assume the current trading levels progress to a more normal level over the course of the summer with autumn and winter trade being marginally higher than 2019 levels.

Directors' Report (continued)**Going Concern (continued)****Funding**

The Group is funded through a mixture of bank debt, shareholder loan notes, preference shares and equity. All interest on the shareholder loan notes is capitalised and no capital repayments are due until 30 June 2023. On 25 March 2019 the Group's banking facilities with HSBC were refinanced with the maturity date of the debt extended to December 2022. The financial covenants have been re-set in order to replace the EBITDA to Net Debt covenant with a minimum liquidity-based measure until 30 June 2021 at the earliest. The margin element of the interest on the bank loan facilities will be rolled into the outstanding balance, rather than cash paid, for the rest of 2020 and 2021.

Cashflow Projections

Detailed cash flow projections have been prepared which demonstrate the Group has sufficient financial resources and is forecast to trade within its financial covenants for the foreseeable future, being at least 12 months from the date of this report. Those forecasts are based on the revenue assumptions set out above, margin and cost assumptions based on the original budget adjusted for any learnings that have come from the year to date performance, and the continuation of existing supplier arrangements.

These projections have been sensitised against reasonable downside scenarios which address the risks prevalent with Covid-19 as well as wider risks facing the business. In assessing this downside scenario, the directors have considered a 20% reduction in the expected revenues to appropriately reflect the balance of risks and opportunities of which they are aware. Those downside scenarios, which also include modest reductions to overheads and discretionary capital expenditure, indicate that the Group will continue to have cash and covenant headroom without the need to take significant mitigating actions.

On the basis of their assessment of the Group's financial position the Group's directors are confident that the Group will be able to continue in operational existence for the foreseeable future.

Directors

The directors who held office during the period and to the date of this report were as follows:

A Bruce (appointed 31 May 2019)
A Clemmow (appointed 31 January 2019)
M Davy (resigned 2 July 2019)
N Gresham (resigned 31 May 2019)
W Kernan (resigned 31 January 2019)

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.

People and colleagues**Equal opportunities**

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

Employee engagement and participation

Employees are encouraged to participate actively in the business and with its strategy. Regular updates are held to inform employees about the business performance and the main factors that deliver success, including financial and economic factors affecting the Company. These include regular updates and conferences where the Company 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, nominated health and safety representatives across the business and monthly reporting to the board.

Charitable and Political Contributions

The Company is committed to supporting the local community, both in respect of employment and social responsibility. We encourage employees to take part in various community initiatives and charity events. The Company made no political or charitable contributions during the period (2018: £nil).

Directors' Report (continued)

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 appointed as the Company's Auditor during 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 30 June 2020

By order of the Board:



A Bruce
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.

Independent Auditor's report to the members of Wiggle Limited

Opinion

We have audited the financial statements of Wiggle Limited ("the company") for the 52 week period ended 29 December 2019 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 29 December 2019 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, 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.

Independent Auditor's report to the members of Wiggle Limited (continued)

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.

C. J. Griffiths

Caroline Griffiths (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
Gateway House
Tollgate
Chandler's Ford
Southampton
SO53 3TG

30 June 2020

Profit and Loss Account and Statement of Other Comprehensive Income

For the 52 weeks ended 29 December 2019

(2018: For the 52 weeks ended 30 December 2018)

	Note	29 December 2019 (£'000)			30 December 2018 (£'000)		
		Trading results	Non-recurring items	Total reported results	Trading results	Non-recurring items	Total reported results
Turnover	3, 4	311,263	(299)	310,964	345,482	-	345,482
Cost of sales	4	(225,589)	(221)	(225,810)	(248,738)	-	(248,738)
Gross Profit		85,674	(520)	85,154	96,744	-	96,744
Selling and distribution expenses	4	(38,968)	-	(38,968)	(42,973)	(386)	(43,359)
Administrative expenses	4	(46,335)	(362)	(46,697)	(55,152)	(1,834)	(56,986)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		371	(882)	(511)	(1,381)	(2,220)	(3,601)
Depreciation, amortisation and impairment	4	(16,049)	-	(16,049)	(17,029)	-	(17,029)
Management charges	6	(1,128)	-	(1,128)	(1,128)	-	(1,128)
Operating loss		(16,806)	(882)	(17,688)	(19,538)	(2,220)	(21,758)
Interest payable and similar charges	6	(2,656)	-	(2,656)	(3,699)	-	(3,699)
Interest payable to group companies	6	(18,993)	-	(18,993)	(12,493)	-	(12,493)
Loss before tax		(38,455)	(882)	(39,337)	(35,730)	(2,220)	(37,950)
Taxation	7	(389)	168	(221)	(431)	422	(9)
Loss for the period		(38,844)	(714)	(39,558)	(36,161)	(1,798)	(37,959)

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 13 to 26 are an integral part of these financial statements.

Balance sheet

At 29 December 2019

(2018: At 30 December 2018)

		29 December 2019 £'000	30 December 2018 £'000
	Note		
Fixed assets			
Intangible assets	8	27,551	36,302
Tangible assets	9	14,566	15,642
		<u>42,117</u>	<u>51,944</u>
Current assets			
Inventory	10	58,787	54,827
Trade and other receivables	11	21,491	45,332
Cash and cash equivalents		5,081	3,890
Total current assets		<u>85,359</u>	<u>104,049</u>
 Creditors: amounts falling due within one year	 12	 (66,107)	 (89,047)
Net current assets		<u>19,252</u>	<u>15,002</u>
 Total assets less current liabilities		 <u>61,369</u>	 <u>66,946</u>
Creditors: amounts falling due after more than one year	13	(145,459)	(111,459)
Provisions for liabilities and charges	14	(1,805)	(1,824)
Net liabilities		<u>(85,895)</u>	<u>(46,337)</u>
 Capital and reserves			
Share capital	15	1	1
Capital contribution		1,593	1,593
Profit and loss		(87,489)	(47,931)
Total shareholders' deficit		<u>(85,895)</u>	<u>(46,337)</u>

The notes on pages 13 to 26 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 30 June 2020.

Signed on behalf of the Board of Directors



A Bruce
Director

Statement of changes in equity**At 29 December 2019**

	Capital			
	Share Capital	Contribution Reserve	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000
At 31 December 2017	1	1,593	(9,972)	(8,378)
Loss for the period	-	-	(37,959)	(37,959)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(37,959)	(37,959)
At 30 December 2018	1	1,593	(47,931)	(46,337)
Loss for the period	-	-	(39,558)	(39,558)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(39,558)	(39,558)
At 29 December 2019	1	1,593	(87,489)	(85,895)

The notes on pages 13 to 26 are an integral part of these financial statements.

Notes to the financial statements

1. General information

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

2. Summary of significant accounting policies

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

Statement of compliance

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

Basis of preparation

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

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

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

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

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

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

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

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 financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS2 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

Notwithstanding net liabilities of £85,895,000 as at 29 December 2019 and a loss for the year then ended of £39,558,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company, Mapil Topco Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Mapil Topco Limited and all other subsidiaries within the Group not seeking repayment of the amounts currently due to them, which at 29 December 2019 amounted to £156,899,000, and providing additional financial support during that period. Mapil Topco Limited has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due to Mapil Topco Limited and all other subsidiaries within the Group at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

Going concern (continued)

With regard to the Group's going concern assessment, as discussed in the Group's consolidated accounts for Mapil Topco Limited, in adopting the going concern basis for preparing the financial statements, the directors of the Group have considered the principal activities and the business risks, as set out in the Group's Strategic Report, the financial performance for the period ended 29 December 2019 and expectations for the financial performance for 2020, and the performance of the business against these expectations following the period end. Closing cash for the Group at the 29 December 2019 was £5,860,000.

The plan for 2020 is for positive development in EBITDA through the initiatives discussed in more detail in the Group's Strategic Report. Underpinning this plan is an expectation to generate cash from operations through profitable growth and working capital efficiency and to re-invest this cash into the business as part of the 2020 capital investment plan. The result of this would be a modest increase in the closing cash balance. At the time of signing the accounts, business performance in 2020 has exceeded these expectations with EBITDA and net cashflow both well in excess of the 2020 budget.

Key events and factors which the Board have taken into account in reaching their assessment are set out below.

Covid-19

The Group's business has responded well to the challenges of coronavirus. Sales since the start of the pandemic have increased significantly and are consistently well above 2019 levels, with sales in April, May and June significantly higher than the previous year. The business expects to see continued sales growth through 2020 as cycling, running and walking provide a safe way to commute to work and staying fit and active outdoors are more relevant to more customers than ever before. Proactive supplier and operational management have minimised any disruption to the flow of stock, both into the warehouse and out to customers. The Group will continue to monitor the situation carefully and is well placed to react swiftly to future developments. The planning assumptions for the rest of the year assume the current trading levels progress to a more normal level over the course of the summer with autumn and winter trade being marginally higher than 2019 levels.

Funding

The Group is funded through a mixture of bank debt, shareholder loan notes, preference shares and equity. All interest on the shareholder loan notes is capitalised and no capital repayments are due until 30 June 2023. On 25 March 2019 the Group's banking facilities with HSBC were refinanced with the maturity date of the debt extended to December 2022. The financial covenants have been re-set in order to replace the EBITDA to Net Debt covenant with a minimum liquidity-based measure until 30 June 2021 at the earliest. The margin element of the interest on the bank loan facilities will be rolled into the outstanding balance, rather than cash paid, for the rest of 2020 and 2021.

Cashflow Projections

Detailed cash flow projections have been prepared which demonstrate the Group has sufficient financial resources and is forecast to trade within its financial covenants for the foreseeable future, being at least 12 months from the date of this report. Those forecasts are based on the revenue assumptions set out above, margin and cost assumptions based on the original budget adjusted for any learnings that have come from the year to date performance, and the continuation of existing supplier arrangements.

These projections have been sensitised against reasonable downside scenarios which address the risks prevalent with Covid-19 as well as wider risks facing the business. In assessing this downside scenario, the directors have considered a 20% reduction in the expected revenues to appropriately reflect the balance of risks and opportunities of which they are aware. Those downside scenarios, which also include modest reductions to overheads and discretionary capital expenditure, indicate that the Group will continue to have cash and covenant headroom without the need to take significant mitigating actions.

On the basis of their assessment of the Group's financial position the Group's directors are confident that the Group will be able to continue in operational existence for the foreseeable future.

Revenue

Revenue arising from sales represents the invoiced amounts of goods and services, adjusted at the period end for items which have yet to reach the customer, stated net of value added tax and after any concession fees. Revenue arising from the sale of gift vouchers is deferred and recognised at the point of redemption. A expiration assumption is applied to customer vouchers based on historic voucher expiry data. Commission revenue received in advance for tickets sold on behalf of third party event organisers is deferred to the statement of financial position until such time as the event occurs, at which point it is recognised within revenue. Commissions earned on the sale of insurance and legal cover on behalf of third party providers is recognised as revenue, with the Group acting as agent on the transaction. With the exception of the customer loyalty programme set out below, there are no other performance obligations arising from the sale of goods to customers that require disaggregation. Rights to return are estimated based on historic returns data and an estimate of sales to be refunded and stock returned made within the accounts. There are no separable or enhanced warranties that are sold to customers that would require disaggregation.

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

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

Cost of sales

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

Selling and Distribution expenses

Direct costs associated with selling and distributing goods to customers are included within selling and distributing expenses. This includes courier and packaging costs, direct outbound staff costs and credit card acquiring charges.

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 comprise interest payable, finance charges on 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.

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

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
Leasehold land and buildings	Life of the lease
Equipment and fixtures:	
Computer and communications equipment	2 to 4 years
Fixtures, fittings and furniture	5 to 7 years
Plant and machinery	4 to 5 years
Motor vehicles	4 years

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

Financial instruments

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

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

Effective interest method

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

Financial Assets

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

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

Financial instruments (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 of the Group financial statements.

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.

Financial liabilities

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

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.

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.

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

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payment, including in-substance fixed payments.
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, leases payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Notes to the financial statements (continued)

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in "tangible assets" and lease liabilities in "creditors: amounts falling due within one year" or "creditors: amounts falling due after more than one year" in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Trading Stock

Provision is made for those items of inventory where the net realisable value is estimated to be lower than cost. Net realisable value is based on both historical experience and assumptions regarding future selling prices, and is consequently a source of estimation uncertainty. The key estimation uncertainties relate to the level of price adjustment that would be required to stimulate demand on slower-selling lines; the estimate of future selling prices based on historical levels achieved and specific pricing plans; and the assumptions around demand levels for product types.

Borrowing costs

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

Deferred taxation

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

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

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

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

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 incentives if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

Notes to the financial statements (continued)**2. Summary of significant accounting policies (continued)****Significant accounting judgements, estimates and assumptions**

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

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

Inventories

Provision is made for those items of inventory where the net realisable value is estimated to be lower than cost. Net realisable value is based on both historical experience and assumptions regarding future selling prices, and is consequently a source of estimation uncertainty. The key estimation uncertainties relate to the level of price adjustment that would be required to stimulate demand on slower-selling lines; the estimate of future selling prices based on historical levels achieved and specific pricing plans; and the assumptions around demand levels for product types.

A sensitivity has been carried out on the carrying value of inventory. A 10% change in the current selling price of products would impact the net realisable value of inventories by £1.0m.

Impairment

The carrying amounts of the Company's and the Group's assets other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The value in use is remeasured based upon recent performance and the future financial plans, the key assumptions in calculating the value in use are the revenue and margin growth rates along with the cost percentages, discount rate and terminal growth rate. Impairment losses are recognised in the income statement. The result of the impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Goods received not invoiced

During the normal course of operation and invoice matching, the Group receives goods that cannot be matched to invoices and invoices that cannot be matched to goods. The Group has a policy of releasing unmatched receipts that are older than 6 months if there is no evidence that these will subsequently be invoiced.

Non-recurring items:

The Group presents 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

	29 Dec 2019 £'000	30 Dec 2018 £'000
United Kingdom	152,578	172,421
Rest of Europe	75,806	74,358
Rest of World	82,580	98,703
	<u>310,964</u>	<u>345,482</u>

This analysis is based on the geographical location of customers.

Notes to the financial statements (continued)**4. Expenses and auditor's remuneration**

Included in the income statement for the period are the following:

	29 Dec 2019 £'000	30 Dec 2018 £'000
Non-recurring items		
<i>Within turnover</i>		
Legal and other matters ¹	299	-
<i>Within selling and distribution expenses:</i>		
Integration of CRC into Wiggle ²	221	386
<i>Within administrative expenses:</i>		
Restructuring and loss of office payments ³	70	1,294
Closure and exit of warehouse facilities ⁴	202	440
Legal and other matters ¹	90	100
<i>Within taxation</i>		
Tax effect of the non-recurring items recognised in the period	(168)	(422)
Non-recurring items for the period	714	1,798

¹ During the prior period a provision has been booked relating to a specific legal dispute. During the current period a provision was made relating to a prior period VAT correction.

² During the prior period, a significant change programme to transfer and integrate the CRC and Wiggle operations was completed. This included the integration of CRC into the Wiggle IT stack, the transfer of stock and operations from the Northern Irish distribution centres to the Citadel facility in the Midlands, closure of sites in Northern Ireland, and restructuring of teams across all locations. The non-capital spend associated with this change programme and elements of the associated business disruption are considered to be one-off in nature. In the current period a historic systemic overvaluation of stock relating to prior periods and arising from the system upgrade and integration was identified and corrected.

³ Costs relate to the restructuring of the head office teams, these costs include the provision of termination payments and the provision for onerous lease payments.

⁴ During the prior period the bike workshop in Portsmouth was exited and operations transferred to Belfast. 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 warehouse and office space was exited in May 2019.

	29 Dec 2019 £'000	30 Dec 2018 £'000
Other charges / (credits):		
Depreciation of tangible assets	3,173	11,379
Amortisation and impairment of intangible assets	13,958	5,534
Depreciation and Amortisation to align cost and depreciation	(1,142)	-
Onerous lease provision	-	183
	15,989	17,096
Loss / (gain) on disposal of tangible assets	60	(67)
	16,049	17,029

	29 Dec 2019 £'000	30 Dec 2018 £'000
Auditor's remuneration:		
Statutory audit services	115	60
Other services relating to taxation and sundry matters	21	37
	136	97

Notes to the financial statements (continued)

5. Staff numbers and costs

	29 Dec 2019 £'000	30 Dec 2018 £'000
Costs of Employees (excluding Directors) during the period amounted to:		
Wages and salaries	15,804	16,331
Social security costs	1,498	1,505
Other Pension Costs	740	604
Healthcare Costs	171	67
	<u>18,213</u>	<u>18,507</u>

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

	29 Dec 2019 Number	30 Dec 2018 Number
Group executive Directors	3	2
Head office and administration	318	344
Warehouse	265	270
	<u>586</u>	<u>616</u>

In addition to this, there were £6,537,000 (2018: £7,342,000) of staff costs recharged to Wiggle Limited by Chain Reaction Cycles Limited another Group company; these costs have been included within administrative costs.

Directors' emoluments

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

	29 Dec 2019 £'000	30 Dec 2018 £'000
Short-term employee benefits	<u>376</u>	<u>967</u>
	29 Dec 2019 £'000	30 Dec 2018 £'000
Highest paid Director	<u>164</u>	<u>564</u>

Retirement benefits are accruing to zero (2018: zero) Directors under a money purchase scheme.
At the period-end £nil (2018: £50,000) was owed to the Directors in respect of period-end bonus.

6. Finance income and finance cost

	29 Dec 2019 £'000	30 Dec 2018 £'000
Finance costs		
Payable to group companies	<u>18,993</u>	<u>12,493</u>
Finance costs		
Bank interest and other similar charges	171	141
Interest on lease liability	763	809
Exchange loss	1,722	2,749
	<u>2,656</u>	<u>3,699</u>

Notes to the financial statements (continued)

6. Finance income and finance cost (continued)

	29 Dec 2019 £'000	30 Dec 2018 £'000
Management charges		
Management charges	1,128	1,128

7. Taxation

	29 Dec 2019 £'000	30 Dec 2018 £'000
Recognised in the income statement		
Current tax		
UK corporation tax on profits for the periods	-	-
Adjustments in respect of prior periods	221	9
Total current tax	221	9

Deferred tax

Movement in deferred tax asset	-	-
Total deferred tax	-	-

Tax charge in the Income Statement

	221	9
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Reconciliation of effective income tax credit

	29 Dec 2019 £'000	30 Dec 2018 £'000
Loss before tax	(39,337)	(37,950)
Weighted average tax rate	19.00%	19.00%
At the weighted average income tax rate	(7,474)	(7,210)
Expenses not deductible for tax purposes	70	28
Group relief	3,813	2,389
Fixed asset differences	42	277
Research and development credit	6	(45)
Impact of rate change	350	397
Movement in unrecognised deferred tax asset	3,193	4,164
Adjustments in respect of prior periods	221	9
	221	9

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 29 December 2019 has been calculated based on this rate.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly and decrease the unrecognised deferred tax asset by £1,392,000.

A deferred tax asset in respect of tax losses carried forward, short term timing differences and accelerated capital allowances has not been recognised in the statement of financial position due to uncertainty relating to the sufficiency of taxable profits against which to utilise the benefits of the temporary differences, and when they are expected to reverse in the foreseeable future. At 29 December 2019 the Company had unrecognised deferred tax assets of £11,836,000 (2018: £8,643,000), tax losses do not expire under current legislation.

Notes to the financial statements (continued)

8. Intangible assets

	Construction in progress	Trade marks	Software and licences	Total
Cost	£'000	£'000	£'000	£'000
At 30 December 2018	1,840	1,086	60,321	63,247
Additions	2,376	11	2,820	5,207
Transfer on completion	(1,196)	-	1,196	-
At 29 December 2019	3,020	1,097	64,337	68,454
Accumulated amortisation				
At 30 December 2018	-	589	26,356	26,945
Amortisation and impairment	604	156	13,198	13,958
At 29 December 2019	604	745	39,554	40,903
Net book value				
At 29 December 2019	2,416	352	24,783	27,551
At 30 December 2018	1,840	497	33,965	36,302

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

9. Tangible assets

	Right of use asset	Land and buildings	Equipment and fixtures	Motor vehicles	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 30 December 2018	11,363	9,454	6,741	280	27,838
Additions	525	-	1,459	37	2,021
Movement in asset retirement provisions	-	76	-	-	76
Disposals	(586)	-	-	(14)	(600)
At 29 December 2019	11,302	9,530	8,200	303	29,335
Accumulated depreciation					
At 30 December 2018	2,045	3,555	6,319	277	12,196
Depreciation	1,530	624	1,013	6	3,173
Depreciation on disposals	(586)	-	-	(14)	(600)
At 29 December 2019	2,989	4,179	7,332	269	14,769
Net book value					
At 29 December 2019	8,313	5,351	868	34	14,566
At 30 December 2018	9,318	5,899	422	3	15,642

10. Inventory

	29 Dec 2019	30 Dec 2018
	£'000	£'000
Finished goods and goods for resale	58,787	54,827

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

The cost of inventories recognised as an expense during the year was £225,810,000 (2018: £248,563,000). The cost of inventories recognised as an expense includes £1,275,633 (2018: £1,040,000) in respect of write-downs to net realisable value.

Notes to the financial statements (continued)

11. Trade and other receivables	29 Dec 2019 £'000	30 Dec 2018 £'000
<i>Current</i>		
Amount due from group companies	12,711	25,328
Prepayments and accrued income	7,466	13,838
Corporation tax	110	110
Other taxes and social security	595	4,703
Other receivables	609	1,353
	<u>21,491</u>	<u>45,332</u>

Amounts due from group companies are non interest bearing and are repayable on demand. Prepayments and accrued income includes accrued income of £2,505,189 (2018: £1,840,327). This arises as agreed buying targets with suppliers are met which in turn has triggered an amount due from the supplier.

12. Creditors: Amounts falling due within one year	29 Dec 2019 £'000	30 Dec 2018 £'000
Amounts owed to group companies	21,209	34,827
Trade creditors	30,124	38,892
Other taxes and social security	3,563	2,704
Lease liability	1,884	1,745
Other creditors & accruals	9,327	10,879
	<u>66,107</u>	<u>89,047</u>

Amounts owed to group companies are non interest bearing and are repayable on demand. Trade creditors are non-interest bearing and are payable on average within 36 days at 29 December 2019 (2018: 43 days).

13. Creditors: Amounts falling due after more than one year	29 Dec 2019 £'000	30 Dec 2018 £'000
Amounts owed to group companies	135,690	100,382
Lease liability	9,769	11,077
	<u>145,459</u>	<u>111,459</u>

Interest on the loans from group companies is charged at a weighted average rate of 15% per annum (2018: 14%). These loans are repayable in full within five years.

14. Provisions for liabilities and charges	29 Dec 2019 £'000	30 Dec 2018 £'000
Dilapidations and asset retirement provision		
Balance at beginning of the period	1,824	1,756
Provisions made during the period	-	68
Remeasured	(19)	-
	<u>1,805</u>	<u>1,824</u>

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

Notes to the financial statements (continued)**15. Share capital**

	29 Dec 2019	30 Dec 2018
	£	£
Called up, allotted and fully paid		
400 Ordinary shares of £1 each	400	400
100 A Ordinary shares of £1 each	100	100
100 B Ordinary shares of £1 each	100	100
100 C Ordinary shares of £1 each	100	100
100 D Ordinary shares of £1 each	100	100
	<u>800</u>	<u>800</u>

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

16. Commitments, contingencies and leases**Guarantees**

The guarantee is in relation to the HMRC deferment account. HMRC guarantees in Wiggle Limited amount to £900,000. No claims are expected in respect of these guarantees.

Cross company guarantees

The cross company guarantees are in relation to shareholder and bank loans. Shareholder loans in Mapil Midco 2 Limited amount to £71,703,000 and bank loans in Mapil Bidco Limited amount to £67,171,000. No claims are expected in respect of these guarantees.

The Company leases assets including land and buildings and equipment and fixtures. Information about leases for which the Company is a lessee is presented below.

Right-of-use assets

	Land and building £'000	Equipment and fixtures £'000	Total £'000
Balance at 30 December 2018	8,505	813	9,318
Additions	40	485	525
Disposals	(581)	(5)	(586)
Depreciation	(1,446)	(84)	(1,530)
Depreciation on disposals	581	5	586
Balance at 29 December 2019	<u>7,099</u>	<u>1,214</u>	<u>8,313</u>

Lease liabilities

	29 Dec 2019	30 Dec 2018
	£'000	£'000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	2,693	2,360
One to five years	7,810	6,485
More than five years	8,446	7,892
Total undiscounted lease liabilities	<u>18,949</u>	<u>16,737</u>

	29 Dec 2019	30 Dec 2018
	£'000	£'000
Lease liabilities included in the Group statement of financial position		
Current	1,884	1,745
Non-current	9,769	11,077
	<u>11,653</u>	<u>12,822</u>

Notes to the financial statements (continued)**16. Commitments, contingencies and leases (continued)****Right-of-use assets (continued)**

	29 Dec 2019	30 Dec 2018
	£'000	£'000
Amounts recognised in profit and loss		
Depreciation on lease assets	1,530	1,862
Interest on lease liabilities	763	809
	<u>2,293</u>	<u>2,671</u>
	29 Dec 2019	30 Dec 2018
	£'000	£'000
Amounts recognised in the Group statement of cashflow		
Total cash outflow for leases	<u>2,470</u>	<u>2,582</u>

17. Ultimate and immediate parent undertaking and controlling party

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

At 29 December 2019, the results of the Company are consolidated in Mapil Topco Limited. The consolidated financial statements of this company are available to the public from Companies House, Cardiff, CF14 3UZ. The registered office Mapil Topco Limited is 1000 Lakeside, Suite 310, Third Floor, N E Wing, Portsmouth, PO6 3EN. The Group's controlling shareholder is Bridgepoint Europe IV (Nominees) Limited. The registered office of Bridgepoint Europe IV (Nominees) Limited is 95 Wigmore Street, London, W1U 1FB. Bridgepoint Europe IV (Nominees) Limited holds the shares as nominee for the partnerships which make up the Bridgepoint Europe IV Fund, which is managed by Bridgepoint Advisers Holdings a company regulated by the Financial Conduct Authority and incorporated in England and Wales. The registered office of Bridgepoint Advisers Holdings is 95 Wigmore Street, London, W1U 1FB.

18. Related party disclosures**Identity of related parties**

Christopher Watson a Director of the Group is also a director of ASCEF Limited. The registered office of ASCEF Limited is 184 Rashee Road, Ballyclare, Northern Ireland, BT39 9JB.

Other transactions with controlling parties

At the period end there was £900,000 (2018: £1,134,275) outstanding in relation to management fees payable to Bridgepoint.

At the period end there was £nil (2018: £397,462) outstanding in relation to commission fees payable to ASCEF Limited. Wiggle Limited paid ASCEF Limited £276,404 (2018: £326,757) during the period in relation to commission fees. Since the period end the Group have made payments to ASCEF Limited of £nil (2018: £nil).

After the period end Bridgepoint extended a further £nil (2018: £10,000,000) of loan notes to the Group.

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