

Blackcircles.com Limited
Annual report and financial statements
for the year ended 31 December 2015

Registered number: SC224310.

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Blackcircles.com Limited

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Blackcircles.com Limited

Officers and Professional Advisers

Director

Michael Welch

Company Secretary

Gillian Duddy

Registered Office

15 Alva Street
Edinburgh
EH2 4PH

Bankers

Barclays Bank plc
1st Floor, Aurora
120 Bothwell Street
Glasgow
G2 7JT

Solicitors

Gateley (Scotland) LLP
Exchange Tower
19 Canning Street
Edinburgh
EH3 8EH

Independent Auditor

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
United Kingdom
EH3 8EX

Blackcircles.com Limited

Strategic Report

The director, in preparing this strategic report, has complied with s414C of the Companies Act 2006.

Review of the business

The company has delivered profitable growth in sales during the year (before exceptionals), gaining market share in the U.K. retail tyre market, in conditions that were considered challenging for the industry.

The growth in sales supported the expansion of the Premier Partner Franchise Programme. The Franchisee estate has doubled in size during 2015, safeguarding future quality and convenient service for our customers across the U.K.

Customer service scores were consistently high despite excellent sales growth and minimal increase in operating expenses.

Noteworthy progress has been made in reducing the cost of attracting new customers and managing efficiencies in brand marketing, maximising the return on investment and profitability of the company.

Initiatives in the fleet market and into other geographies are under way.

The company's parent, Black Circles Holdings Limited, was 100% acquired by Compagnie Financiere Du Groupe Michelin on 30th April 2015.

Key performance indicators

The following indicators are regarded by the Board as the most important in external reporting, excluding exceptional items:

	2015	2014
Revenue	£40,096,756	£28,572,756
Earnings before Interest, Tax, Depreciation and Amortisation	£806,498	£417,412
Profit Before Tax	£475,669	£161,163
Cash Balance	£2,991,558	£1,678,250

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are as follows:

Competition in the UK retail tyre market – the Company strives to provide customers with the best value in the UK market and takes active steps to monitor competitor activity, while optimising our own offer to stay ahead.

Quality of service to our customers – the Company monitors customer service rigorously including the service standards offered by our fitting partners across the UK and takes action to ensure that the requisite standards are enforced.

Brand and reputation – the Company invests in marketing and brand positioning and takes care to ensure that quality standards are applied across the business to control the risk of reputational or brand damage.

Operation of ICT systems – the Company depends on leading-edge infrastructure and has taken steps to protect the systems from damage whether by external sources or through misuse, including the introduction of disaster recovery facilities.

Supply & Logistics – The Company works closely with our tyre suppliers and logistics partners in order to mitigate the risk of products not being available to our customers when they require them.

Blackcircles.com Limited

Strategic report (continued)

People – The Company recognises the critical importance of our management and staff to the success and sustainability of the business and takes appropriate steps to ensure that the health & safety of our people are carefully looked after and that competitive financial terms are offered, including appropriate incentive arrangements.

Adequacy of cash – the Company operates in a cash positive manner and has no debt nor any debt facilities on which it is reliant. Cash flow is carefully managed to ensure that our suppliers are paid on time from profitable revenue generation.

Future developments

The director expects a similar level of sales performance to continue through 2016. Investment in the development and improvement of the online customer journey, alongside competitive pricing of our products and service will support the delivery of further growth.

Approved by the board of directors and signed on it's behalf by:

A handwritten signature in black ink, appearing to read 'Michael Welch', written over a horizontal line.

Michael Welch

Director

Blackcircles.com Limited

Director's Report

The director presents his annual report on the affairs of the Company, together with the financial statements for the year ended 31 December 2015.

The Strategic Report on pages 2 to 3 contains the information required to be presented under section 414C(11) of the Companies Act 2006 in this Director's Report.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 2 and form part of this report by cross-reference.

Going concern

The director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 3.

Financial risk management objectives and policies

The Company's activities expose it to a limited number of financial risks including price risk, foreign exchange risk, credit risk and liquidity risk. The Company uses no financial derivative products.

Price risk

The Company operates a just in time model for stock purchases. This exposes the company directly to price changes from the supply chain. The company manages this supply cost risk by entering commercially beneficial supply contracts, maintaining positive relationships with suppliers and managing gross margin.

Foreign exchange risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates on supply which is sourced from outwith the UK. The Company manages this input cost risk actively along with management of the Company's gross margin.

Credit risk

The Company's principal financial assets are bank balances and cash with only limited trade and other receivables and accordingly credit risk is not material. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company manages its cash balances carefully. The Company has no debt and no reliance on debt facilities.

Dividends

The director does not recommend the payment of a dividend.

Blackcircles.com Limited

Director's Report (continued)

Director

The director, who served throughout the year and to the date of this report is:

Michael Welch (Managing Director)

Steven Pottinger (Company Secretary – resigned 30 April 2015)

Gillian Duddy (Company Secretary – appointed 30 April 2015)

Director indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its director which were made during the year and remain in force at the date of this report.

Political contributions

No political donations were made by the Company (2014: £Nil)

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

PricewaterhouseCoopers have indicated their willingness to be appointed and appropriate arrangements have been put in place for them to be deemed appointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



Michael Welch

Director

Blackcircles.com Limited

Director's responsibilities statement

The director is responsible for preparing the Strategic Report and Director's Report and the financial statements in accordance with applicable law and regulations.

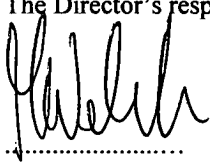
Company law requires the director to prepare financial statements for each financial year. Under that law the director has prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Director's responsibilities were approved by the board on 30/03/2016 and signed on its behalf by:



Michael Welch

Director

Blackcircles.com Limited

Independent auditor's report to the members of Blackcircles.com Limited

Report on the financial statements

Our opinion

In our opinion, Blackcircles.com Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of comprehensive income for the year ended 31 December 2015; and
- the balance sheet as at 31 December 2015; and
- the statement of changes in equity for the year ended 31 December 2015; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Blackcircles.com Limited

Independent auditor's report to the members of Blackcircles.com Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Director's Responsibilities 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

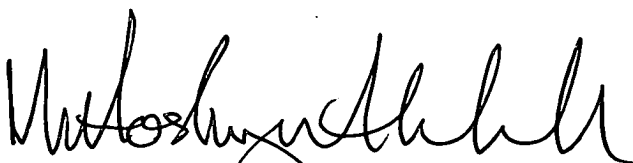
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the director; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Mark Hoskyns-Abrahall (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Edinburgh

30 March 2016

Blackcircles.com Limited

Statement of Comprehensive Income For the year ended 31 December 2015

	Note	2015 (Before exceptional items) £	2015 (Exceptional items – note 5) £	2015 £	2014 £
Turnover	4	40,096,756	-	40,096,756	28,572,756
Cost of Sales		(34,509,898)	-	(34,509,898)	(23,769,585)
Gross profit		5,586,858	-	5,586,858	4,803,171
Administrative expenses	5	(5,527,631)	(567,854)	(6,095,485)	(4,859,955)
Other income		406,157	-	406,157	205,323
Operating profit / (loss)		465,384	(567,854)	(102,470)	148,539
Interest receivable and similar income	6	10,285	-	10,285	12,624
Profit / (Loss) on ordinary activities before taxation	7	475,669	(567,854)	(92,185)	161,163
Tax on ordinary activities	9	154,112	-	154,112	(40,693)
Profit for the financial year	17,18	629,781	(567,854)	61,927	120,470

The results for the current and prior year have been derived from wholly continuing activities.

The accompanying notes form an integral part of these financial statements.

Blackcircles.com Limited

Balance sheet

As at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Intangible assets	10	576,168	471,773
Tangible assets	11	406,835	466,293
Current assets			
Stock	12	31,675	377,860
Debtors (including £132,973 (2014: Nil) due after 1 year)	13	1,862,414	1,174,114
Cash at bank and in hand		2,991,558	1,678,250
		<u>4,885,647</u>	<u>3,230,224</u>
Creditors: Amounts falling due within one year	14	<u>(5,362,863)</u>	<u>(3,868,938)</u>
Net current liabilities		<u>(477,216)</u>	<u>(638,714)</u>
Total assets less current liabilities		505,787	299,352
Creditors: Amounts falling due after one year	14	(165,648)	-
Provisions for liabilities	15	(24,421)	(45,561)
		<u>315,718</u>	<u>253,791</u>
Net assets		<u>315,718</u>	<u>253,791</u>
Capital and reserves			
Called-up share capital	16	100	100
Merger reserve	17	37,475	37,475
Profit and loss account	17	278,143	216,216
Shareholder's funds	18	<u>315,718</u>	<u>253,791</u>

The financial statements of Blackcircles.com Limited, registered number SC224310, were approved by the board of directors and authorised for issue on 30/03/2016. They were signed on its behalf by:

Michael Welch



Director

Blackcircles.com Limited

Statement of changes in equity For the year ended 31 December 2015

	Note	Called up share capital £	Merger reserve £	Profit & Loss account £	Total £
Balance as at 1 January 2014		100	37,475	95,746	133,321
Profit/ (Loss) for the year		-	-	120,470	120,470
Balance as at 31 December 2014		<u>100</u>	<u>37,475</u>	<u>216,216</u>	<u>253,791</u>
Balance as at 1 January 2015		100	37,475	216,216	253,791
Profit / (Loss) for the year		-	-	61,927	61,927
Balance as at 31 December 2015		<u>100</u>	<u>37,475</u>	<u>278,143</u>	<u>315,718</u>

Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2015

1. Statement of compliance

The individual financial statements of Blackcircles.com Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

2. General information

Blackcircles.com Limited ('the company') provides an online tyre supply and fitting service to consumers, supported by a national garage network, selling primarily to UK.

The company is a private company, limited by shares and is incorporated and domiciled in Scotland. The address of its registered office is 15 Alva Street, Edinburgh, EH2 4PH.

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all of the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 23.

Basis of Preparation

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in accounting policies.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also describes the financial position of the Company; its cash flow position; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to credit risk and liquidity risk.

The director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus he continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The company has taken advantage of the following available exemptions for qualifying entities:

- Exemption from preparing a cash flow statement
- Disclosures in respect of financial instruments

Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2015

3. Accounting policies (continued)

Intangible fixed assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between 3 and 5 years, which is based on historical experience of similar assets and their useful life, on a straight line basis.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life, or amortisation rate are amended prospectively to reflect the new circumstances.

Intangible assets under development are stated at cost. These assets are not amortised until they are available for use.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Tangible fixed assets

Tangible fixed assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

(a) Fixtures, fittings and equipment and computer hardware

Fixtures, fittings and equipment and computer hardware are stated at cost less accumulated depreciation and accumulated impairment losses.

(b) Depreciation and residual values

Depreciation on assets is calculated using the straight line method, to allocate the cost of their residual values over their estimated useful lives, as follows:

Fixtures, fitting and equipment	20% - 50% per annum
Computer hardware	20% - 33% per annum

The assets residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

(c) Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

(d) Assets in the course of construction

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2015

3. Accounting policies (continued)

(e) Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit and loss and included in 'Other operating (Losses)/Gains'.

Website development costs

Design and content development costs are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until the design and content are next updated, the costs of developing the design and content are charged to the profit and loss account as incurred. Capitalised amounts are recognised as computer software within intangible fixed assets.

Stock

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Stocks are recognised as an expense in the period in which the related revenue is recognised. Cost includes the purchase price, transport and handling directly attributable to bringing the stock to its present location and condition. At the end of each reporting period, stocks are assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets are not discounted.

(a) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred tax arises from timing differences that are in differences between taxable profits and total comprehensive income as stated in the financial assets. These timing differences arise from the inclusion of income and expenses in tax assessments in the periods different from those in which they are recognised in the financial statements

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2015

3. Accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the company's sales channels have been met, as described below.

(a) Sale of goods - internet based transactions

The company sells goods via its website for delivery to the customer or to a garage partner within the company's garage network for fitting to the customer vehicle. Revenue is recognised when the risks and rewards of the inventory is passed to the customer. For deliveries to the customer this is at the point of acceptance of the goods by the customer and for fitted orders, this is once the fitting service has been completed.

(b) Premier Partner income

The company receives franchise fees from fitting partners included within the Premier Partner Garage Network

(c) Other income

The company receives income from suppliers in relation to sales marketing campaigns.

Where payments are received from partners in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Employee Benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(a) Short term benefits

Short term benefits, including holiday pay and other similar monetary benefits, are recognised as an expense in the period in which the service is received.

(b) Defined contribution pension plans

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets are held separately from the company in independently administered funds.

Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2015

3. Accounting policies (continued)

Foreign currency

The company's functional and presentation currency is the pound sterling.

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

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

Leased Assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(a) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight line basis over the period of the lease.

The company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

Exceptional items

The company classifies certain one off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

Cash flow statement

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the Group whose consolidated financial statements which include a consolidated cash flow statement are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with paragraph 1.12 of FRS 102.

Financial Instruments

The company has chosen to adopt section 11 and 12 of FRS 102 in respect of financial instruments.

(a) Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2015

3. Accounting policies (continued)

Such assets are subsequently carried at amortised cost using the effective interest rate method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is now recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment is recognised in the profit and loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all of the risks and rewards of ownership of the asset are transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated party without imposing additional restrictions.

(b) Financial liabilities

Basic financial liabilities, including trade and other creditors and loans from fellow group companies are initially classified at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of the business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when the liability is exhausted, that is when the contractual obligation is discharged, cancelled or expires.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There were no critical judgements or estimation uncertainties within the financial statements for the year ended 31 December 2015 (2014: Nil).

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the property, plant and equipment, and note 3, accounting policies, for the useful economic lives of each class of assets.

Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2015

4. Turnover

All sales are attributable to the Company's principal activity, online tyre sales, and were generated within the United Kingdom, with the exception of sales of £75,604 (2014: £216,126) which were generated within the Netherlands.

Franchise fees payable by our Premier Partner fitting network are included within turnover.

5. Exceptional items

Exceptional items of £567,854 have been included in the profit and loss account for the year to 31 December 2015 (2014: Nil). £558,699 included within this balance relates to a company wide one off bonus. During the year £227,405 was paid with the remaining balance recognised within liabilities:

	2015 £	2014 £
Creditors: amounts falling due within one year		
Accruals and deferred income	165,646	-
Creditors: amounts falling due after one year		
Accruals and deferred income	165,648	-

The additional £9,155 was a result of deal related costs directly attributable to the sale of the company's parent to Compagnie Financiere Du Groupe Michelin.

The director considers such items material to the profit and loss account and that their separate disclosure is necessary for an appropriate understanding of the company's financial performance.

6. Interest receivable and other similar income

	2015 £	2014 £
Bank interest received	<u>10,285</u>	<u>12,624</u>

Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2015

7. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2015 £	2014 £
Depreciation of tangible fixed assets	150,372	143,711
Amortisation of intangible fixed assets	191,155	125,162
Operating lease rentals:		
plant and machinery	29,898	26,793
property	120,351	117,497
	<u>120,351</u>	<u>117,497</u>

There was no interest payable to the parent company during 2015 (2014: £3,068), included within administrative expenses for the year.

The analysis of the auditor's remuneration is as follows:

	2015 £	2014 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	27,000	22,000
Total audit fees	<u>27,000</u>	<u>22,000</u>
Taxation compliance services	-	7,750
Total non-audit fees	<u>-</u>	<u>7,750</u>

The audit fee's payable include £500 paid on behalf of the company's parent company, Black Circles Holdings Limited

8. Staff costs

The average monthly number of persons (including executive directors) employed by the company was:

By activity:	2015 No.	2014 No.
Directors	1	1
Operations	35	32
Administration	16	15
	<u>52</u>	<u>48</u>

Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2015

Their aggregate remuneration comprised:

	2015 £	2014 £
Wages and salaries	1,841,092	1,463,540
Social security costs	195,614	143,266
Other pension costs (see note 20)	94,055	77,045
	<u>2,130,761</u>	<u>1,683,851</u>

	2015 £	2014 £
Director's remuneration (Total and highest paid)		
Aggregate Emoluments	104,050	122,275
Company contributions to defined contribution pension scheme – 1 director (2014: 1 director)	<u>9,865</u>	<u>9,865</u>

The fees above of one of the directors of the parent company, Black Circles Holdings Limited, were borne by Blackcircles.com Limited (2014: one director).

9. Tax on profit on ordinary activities

The tax charge comprises:

	2015 £	2014 £
Current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(168,222)	52,232
Adjustment in respect of previous periods	(1)	15,284
Effect of changes in tax rates	14,111	(3,628)
Total deferred tax	<u>(154,112)</u>	<u>63,888</u>
Total tax on profit on ordinary activities	<u>(154,112)</u>	<u>63,888</u>

Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2015

The charge for the year can be reconciled to the profit per the income statement as follows:

	2015 £	2014 £
Profit / (loss) on ordinary activities before tax	<u>(92,185)</u>	<u>161,163</u>
Tax at standard UK corporation tax rate of 20.25% (2014: 21.49%)	(18,667)	34,634
Effects of:		
Permanent differences	(149,555)	17,598
Adjustments to tax charge in respect of previous periods	(1)	15,284
Deferred tax charge to income statement for the period	<u>14,111</u>	<u>(3,628)</u>
Current tax (credit)/charge for the period	<u>(154,112)</u>	<u>63,888</u>

On 26th October 2015, a reduction in the UK corporation tax rate from 20% to 18% was substantively enacted.

The reduction is to take effect in two stages from 1 April 2017 (19%) and then from 1 April 2020 (18%). As a result, the relevant deferred tax balances have been re-measured at the rate at which the majority of the deferred tax balance is expected to unwind. This change has reduced the deferred tax asset by £14,111.

10. Intangible fixed assets

	Intangible Assets under Development	Computer Software	Total £
Cost			
At 1 January 2015	94,062	1,439,689	1,533,751
Additions	64,392	234,678	299,070
Disposals	(3,520)	-	(3,520)
Transfers	(84,641)	84,641	-
At 31 December 2015	<u>70,293</u>	<u>1,759,008</u>	<u>1,829,301</u>
Amortisation			
At 1 January 2015	-	1,061,978	1,061,978
Charge for year	-	191,155	191,155
Disposals	-	-	-
Impairment	-	-	-
At 31 December 2015	<u>-</u>	<u>1,253,133</u>	<u>1,253,133</u>
Net book value			
At 31 December 2015	<u>70,293</u>	<u>505,875</u>	<u>576,168</u>
At 31 December 2014	<u>94,062</u>	<u>377,711</u>	<u>471,773</u>

There are no individually material intangible assets.

Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2015

11. Tangible fixed assets

	Fixtures, fittings and equipment £	Computer hardware £	Total £
Cost			
At 1 January 2015	785,438	368,987	1,154,425
Additions	73,218	20,059	93,277
Disposals	(30,731)	(2,316)	(33,047)
Transfers	-	-	-
At 31 December 2015	827,925	386,730	1,214,655
Depreciation			
At 1 January 2015	342,485	345,647	688,132
Charge for the year	133,607	16,765	150,372
Disposals	(29,328)	(1,356)	(30,684)
At 31 December 2015	446,764	361,056	807,820
Net book value			
At 31 December 2015	381,161	25,674	406,835
At 31 December 2014	442,953	23,340	466,293

12. Stock

	2015 £	2014 £
Goods held for resale	31,675	377,860
	31,675	377,860

Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2015

13. Debtors

	2015 £	2014 £
Trade debtors	617,765	290,161
Other debtors	1,111,676	883,953
	<u>1,729,441</u>	<u>1,174,114</u>
Debtors – amounts falling due after 1 year		
Deferred tax asset (Note 15)	132,973	-
	<u>132,973</u>	<u>-</u>

14. Creditors – amounts falling due within one year

	2015 £	2014 £
Trade creditors	3,313,772	2,723,976
Amounts owed to Group undertakings	466,752	473,254
Other taxation and social security	436,256	91,361
Accruals and deferred income	1,137,108	570,259
Defined contribution pension scheme accrual	8,975	10,088
	<u>5,362,863</u>	<u>3,868,938</u>
Creditors – amounts falling due after 1 year		
Accruals and deferred income	165,648	-
	<u>165,648</u>	<u>-</u>

Amounts owed to Group undertakings are unsecured, do not bear interest and are repayable on demand.

Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2015

15. Deferred tax

	2015 £	2014 £
At start of year	45,561	(18,327)
Deferred tax charge/(credit) in P&L for the year	(154,112)	48,604
Adjustment in respect of prior years	(1)	15,284
At end of year	<u>(108,552)</u>	<u>45,561</u>

	2015 £	2014 £
Accelerated capital allowances	24,421	50,405
STTD's - trading	(16,122)	(2,018)
Losses	(116,851)	(2,826)
	<u>(108,552)</u>	<u>45,561</u>

Deferred tax assets

Recoverable within 12 months	<u>(132,973)</u>	<u>(4,844)</u>
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Deferred tax liabilities

Payable within 12 months	<u>24,421</u>	<u>50,405</u>
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Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2015

16. Called-up share capital

	2015 £	2014 £
Allotted, called-up and fully-paid 100 ordinary shares of £1.00 each	100	100

17. Reserves

	Merger Reserve £	Profit and loss account £	Total £
At 1 January 2015	37,475	216,216	253,691
Profit for the financial year	-	61,927	61,927
At 31 December 2015	37,475	278,143	315,618

18. Reconciliation of movements in shareholder's funds

	2015 £	2014 £
Profit for the financial year	61,927	120,470
Net addition to shareholder's funds	61,927	120,470
Opening shareholder's funds / (deficit)	253,791	133,321
Closing shareholder's funds	315,718	253,791

19. Financial commitments

Capital commitments contracted but not provided for in the financial statements are as follows:

	2015 £	2014 £
Fixtures, fittings and equipment	67,469	31,160

Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2015

The company had the following future minimum lease payments under non cancellable operating leases for each of the following periods:

	2015	2014
	£	£
Payments due :		
- Not later than one year	150,664	154,462
- Later than one year and not later than five years	457,379	301,386
- Later than five years	-	-
	<u>608,043</u>	<u>455,848</u>

The company had no other off balance sheet arrangements.

20. Retirement benefit schemes

The Company operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the schemes are held separately from those of the Company. The total amount charged to the profit and loss account of £94,055 (2014: £77,045) represents contributions payable to the scheme by the Company in the year. As at 31 December 2015, contributions of £8,975 (2014: £10,088) due in respect of the current reporting year had not been paid over to the scheme.

21. Related party transactions

The Company has taken advantage of the exemption available in section 33 of FRS 102, "Related Party Disclosures", and has not disclosed details of transactions with group companies on the grounds that the Company is a wholly owned subsidiary where consolidated financial statements are publicly available.

22. Controlling party

The immediate parent company is Black Circles Holdings Limited, a company incorporated in the United Kingdom. Copies of the consolidated financial statements of Black Circles Holdings Limited can be obtained from Companies House, Fourth Floor, Edinburgh Quay 2, Fountainbridge, Edinburgh, EH3 9FF.

The ultimate parent undertaking is Compagnie Generale des Etablissements Michelin. Copies of Michelin Group consolidated financial statements are available at the Company's registered office, 12, Cours Sablon, Clermont-Ferrand (Puy-de-Dôme), France.

The ultimate controlling party is Compagnie Generale des Etablissements Michelin.

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Notes to the financial statements For the year ended 31 December 2015

23. Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014.

Set out below are changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

There were no transition adjustments which affected profit for the financial year or preceding year.

The following adjustments have arisen which did not effect the profit for the financial year but affected the presentation of these items on the balance sheet. The main items are:

- (a) Computer software, with a net book value of £377,711 at 31 December 2014 and Assets under construction with a NBV of £94,062 at 31 December 2014, have been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the company's net assets, nor on the profit for the year, except that the previous depreciation charge is now described as amortisation.
- (b) Premier partner franchise fees of £761,270 which were included within other income in the statement of comprehensive income for the year ended 31 December 2014, have been reclassified as turnover.