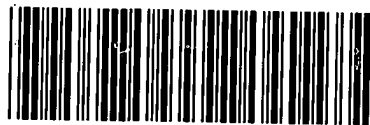


Blackcircles.com Limited
Annual report and financial statements
for the year ended 31 December 2017

Registered number: SC224310

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Blackcircles.com Limited

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Blackcircles.com Limited

Officers and Professional Advisers

Directors

Eric Chaniot
Sonia Fredou (appointed 13 June 2017, resigned 1 March 2018)
Graeme Cole (appointed 1 September 2017)
Gary Guthrie (appointed 1 March 2018)

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

Addleshaw Goddard
Cornerstone
107 West Regent Street
Glasgow,
G2 2BA

Independent Auditor

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

Blackcircles.com Limited

Strategic Report

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

Review of the business

The company maintained a strong sales performance through 2017, with an increase in revenues versus the prior year and an outperformance of the marketplace.

Customer service scores remained a key focus for the company and were consistently high throughout.

Progress has been made in expanding the company's geographical presence, with a number of countries in the pipeline for launch in 2018. The initial set up costs incurred are included within the administration costs in the profit and loss account for 2017, affecting the overall profitability for the year.

Investment in brand building and innovative marketing initiatives to increase the social reach and engagement with customers continued, with favourable results in visitor numbers and sales.

Key performance indicators

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

	2017	2016
Revenue	£53,974,819	£53,241,601
Earnings before Interest, Tax, Depreciation and Amortisation	£555,300	£1,219,699
Profit Before Tax	£167,304	£838,033

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)

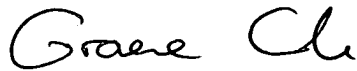
People – The Company recognises the critical importance of our management and staff to the success and sustainability of the business and takes appropriate steps to ensure that the health & safety of our people are carefully looked after and that competitive financial terms are offered, including appropriate 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 directors are confident that the company will deliver sales growth through 2018, in both UK core sales and by expansion into new geographies. The company will continue to invest in the improvement of the online customer experience and will focus on quality of service by our garage network.

Approved by the board of directors and signed on its behalf by on **31 AUGUST 18**.



Graeme Cole

Director

Blackcircles.com Limited

Directors' Report

The directors present their annual report on the affairs of the Company, together with the audited financial statements for the year ended 31 December 2017.

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 Directors' Report.

Future developments and events after the balance sheet date

Details of future developments can be found in the Strategic Report on page 3 and form part of this report by cross-reference.

Going concern

The directors have 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.

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

A final 2016 dividend of £1,173,505 was paid in the year.

The directors do not recommend a final dividend for 2017.

Blackcircles.com Limited

Directors' Report (continued)

Directors

The directors, who served throughout the year and to the date of this report are:

Eric Chanot
Sonia Fredou (appointed 13 June 2017, resigned 1 March 2018)
Graeme Cole (Managing Director - appointed 1 September 2017)
Gary Guthrie (appointed 1 March 2018)
Michael Welch (resigned 13 June 2017)
Yves Chapot (resigned 13 June 2017)

Directors indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors 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 (2016: £Nil).

Independent Auditors

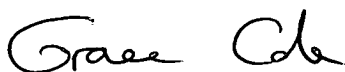
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as a director in order to make themselves 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 on 31 AUGUST 18 .



Graeme Cole

Director

Blackcircles.com Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

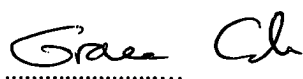
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Director's responsibilities were approved by the board on 31/08/18 and signed on its behalf by:



Graeme Cole

Director

Blackcircles.com Limited

Independent auditors' report to the members of Blackcircles.com Limited

Report on the audit of the financial statements

Opinion

In our opinion, Blackcircles.com Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Blackcircles.com Limited

Independent auditors' report to the members of Blackcircles.com Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Blackcircles.com Limited

Independent auditors' report to the members of Blackcircles.com Limited (continued)

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the 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.

Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Paul Cheshire (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

31 August 2018

Blackcircles.com Limited

Statement of Comprehensive Income For the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	4	53,974,819	53,241,601
Cost of Sales		(47,149,744)	(46,545,422)
Gross profit		6,825,075	6,696,179
Administrative expenses	5	(7,302,663)	(6,323,487)
Other income		632,341	451,594
Operating profit		154,753	824,286
Interest receivable and similar income	6	12,551	13,747
Profit on ordinary activities before taxation	7	167,304	838,033
Tax on ordinary activities	9	(71,923)	57,329
Profit for the financial year	17	95,381	895,362

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 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	10	451,429	523,095
Tangible assets	11	277,577	383,788
		<u>729,006</u>	<u>906,883</u>
Current assets			
Stock	12	59,290	10,040
Debtors (including £93,957 (2016: £172,011) due after one year)	13	4,689,220	2,714,995
Cash at bank and in hand		2,774,983	4,122,623
		<u>7,523,493</u>	<u>6,847,658</u>
Creditors: Amounts falling due within one year	14	<u>(8,119,543)</u>	<u>(6,540,059)</u>
Net current liabilities		<u>(596,050)</u>	<u>307,599</u>
Total assets less current liabilities		132,956	1,214,482
Provisions for liabilities	15	-	(3,402)
Net assets		<u>132,956</u>	<u>1,211,080</u>
Capital and reserves			
Called-up share capital	16	100	100
Merger reserve	17	37,475	37,475
Profit and loss account	17	95,381	1,173,505
Shareholder's funds		<u>132,956</u>	<u>1,211,080</u>

The financial statements of Blackcircles.com Limited, registered number SC224310, were approved by the board of directors and authorised for issue on 31/03/18. They were signed on its behalf by:



Graeme Cole

Director

Blackcircles.com Limited

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

	Note	Called up share capital £	Merger reserve £	Profit & Loss account £	Total £
Balance as at 1 January 2016		100	37,475	278,143	315,718
Profit for the year		-	-	895,362	895,362
Balance as at 31 December 2016		<u>100</u>	<u>37,475</u>	<u>1,173,505</u>	<u>1,211,080</u>
Balance as at 1 January 2017		100	37,475	1,173,505	1,211,080
Profit for the year		-	-	95,381	95,381
Total comprehensive income for the year		<u>100</u>	<u>37,475</u>	<u>95,381</u>	<u>95,381</u>
Dividends	16	-	-	(1,173,505)	(1,173,505)
Total transactions with owners, recognised directly in equity		<u>-</u>	<u>-</u>	<u>(1,173,505)</u>	<u>(1,173,505)</u>
Balance as at 31 December 2017		<u>100</u>	<u>37,475</u>	<u>95,381</u>	<u>132,956</u>

Blackcircles.com Limited

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

1. 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.

2. 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.

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.

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 and Directors' Report also describe 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.

Despite the Company's net current liability position, the directors have a reasonable expectation that the Company has adequate working capital to continue trading for the foreseeable future. Thus they continue 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 under paragraph 1.12 of FRS 102. 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 2017 (continued)

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.

Blackcircles.com Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

3. Accounting policies (continued)

(d) 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' if applicable.

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 taxable profits and total comprehensive income as stated in the financial statements. 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 2017 (continued)

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 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) Other income

The company receives further income from partners in relation to marketing campaigns or Network program.

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 2017 (continued)

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.

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 an 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 2017 (continued)

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 recognised 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.

Related party transactions

The company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the company financial statements.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Distributions to equity holders

Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

Blackcircles.com Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

3. Accounting policies (continued)

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 2017 (2016: 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 11 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.

4. Turnover

All sales are attributable to the Company's principal activity, online tyre sales, and were generated within the United Kingdom.

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

5. Exceptional items

No exceptional items have been included in the profit and loss account for the year to 31 December 2017 (2016: £18,170). The cost in 2016 was a result of deal related costs directly attributable to the sale of the company's parent to Compagnie Financiere Du Groupe Michelin.

	2017 £	2016 £
Creditors: amounts falling due within one year		
Accruals and deferred income	-	234,503

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.

Blackcircles.com Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

6. Interest receivable and other similar income

	2017	2016
	£	£
Bank interest received	1,860	13,747
Group interest	10,691	-
	<u>12,551</u>	<u>13,747</u>

7. Profit on ordinary activities before taxation

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

	2017	2016
	£	£
Depreciation of tangible fixed assets	175,523	170,272
Amortisation of intangible fixed assets	225,024	223,421
Operating lease rentals:		
Plant and machinery	38,244	38,210
Property	162,295	136,010
	<u>162,295</u>	<u>136,010</u>

The analysis of the auditors remuneration is as follows:

	2017	2016
	£	£
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	27,163	27,000
Total audit fees	<u>27,163</u>	<u>27,000</u>

The audit fee's payable include £500 (2016: £500) paid on behalf of the company's parent company, Black Circles Holdings Limited.

Blackcircles.com Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

8. Staff costs

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

By activity:	2017 No.	2016 No.
Directors	1	1
Operations	38	36
Administration	20	19
	<u>59</u>	<u>56</u>

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	2,101,874	1,913,694
Social security costs	171,340	183,241
Other pension costs (see note 19)	124,616	112,079
	<u>2,397,830</u>	<u>2,209,013</u>

8. Staff costs

	2017 £	2016 £
Total Directors remuneration		
Aggregate Emoluments	98,077	114,050
Company contributions to defined contribution pension scheme – 2 directors (2016: 1 director)	<u>8,246</u>	<u>10,865</u>
Highest paid director		
Aggregate Emoluments	60,780	114,050
Company contributions to defined contribution pension scheme	<u>4,945</u>	<u>10,865</u>

The fees above of two of the directors of the parent company, Black Circles Holdings Limited, were borne by Blackcircles.com Limited (2016: one director).

Blackcircles.com Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

9. Tax on profit on ordinary activities

The tax charge comprises:

	2017 £	2016 £
Current tax	(2,729)	2,729
Deferred tax		
Origination and reversal of timing differences	84,464	178,120
Adjustment in respect of previous periods	48	(230,284)
Effect of changes in tax rates	(9,860)	(7,894)
Total deferred tax	74,652	(60,058)
Total tax on profit on ordinary activities	71,923	(57,329)

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

	2017 £	2016 £
Profit / (loss) on ordinary activities before tax	167,304	838,033
Tax at standard UK corporation tax rate of 19.25% (2016: 20.00%)	32,200	167,607
Effects of:		
Expenses not deductible	52,265	13,244
Adjustment from previous periods	(2,679)	(230,284)
Change in tax rates	(9,863)	(7,896)
Current tax charge/(credit) for the period	71,923	(57,329)

The main rate of corporation tax reduced from 20% to 19%, effective from 1 April 2017. The Finance Act included legislation to further reduce the rate of corporation tax to 17%, effective from 1 April 2020. The deferred tax assets in the accounts have been recognised at the rate at which timing differences are expected to reverse.

The company expects the full deferred tax asset in relation to fixed asset timing differences to reverse in 2018. It is not possible to estimate the expected reversal of the other elements of deferred tax.

Blackcircles.com Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

10. Intangible fixed assets

	Intangible Assets under Development	Computer Software	Total £
Cost			
At 1 January 2017	84,126	1,915,509	1,999,635
Additions	98,663	204,101	302,764
Disposals	(74,194)	(9,500)	(83,694)
Transfers	(67,399)	-	(67,399)
	<u>41,196</u>	<u>2,110,110</u>	<u>2,151,306</u>
At 31 December 2017	<u>41,196</u>	<u>2,110,110</u>	<u>2,151,306</u>
Amortisation			
At 1 January 2017	-	1,476,540	1,476,540
Charge for year	-	225,024	225,024
Disposals	-	(1,687)	(1,687)
Impairment	-	-	-
	<u>-</u>	<u>1,699,877</u>	<u>1,699,877</u>
At 31 December 2017	<u>-</u>	<u>1,699,877</u>	<u>1,699,877</u>
Net book value			
At 31 December 2017	<u>41,196</u>	<u>410,233</u>	<u>451,429</u>
At 31 December 2016	<u>84,126</u>	<u>438,969</u>	<u>523,095</u>

There are no individually material intangible assets.

Blackcircles.com Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

11. Tangible fixed assets

	Fixtures, fittings and equipment £	Computer hardware £	Total £
Cost			
At 1 January 2017	941,198	407,081	1,348,279
Additions	31,666	38,917	70,583
Disposals	(16,333)	(2,379)	(18,712)
At 31 December 2017	<u>956,531</u>	<u>443,619</u>	<u>1,400,150</u>
Depreciation			
At 1 January 2017	585,594	378,898	964,492
Charge for the year	155,509	20,014	175,523
Disposals	(15,574)	(1,867)	(17,441)
At 31 December 2017	<u>725,529</u>	<u>397,045</u>	<u>1,122,574</u>
Net book value			
At 31 December 2017	<u>231,002</u>	<u>46,574</u>	<u>277,576</u>
At 31 December 2016	<u>355,604</u>	<u>28,183</u>	<u>383,788</u>

12. Stock

	2017 £	2016 £
Goods held for resale	<u>59,290</u>	<u>10,040</u>

Blackcircles.com Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

13. Debtors

	2017 £	2016 £
Trade debtors	1,088,266	808,357
Other debtors	2,006,997	1,734,627
Amounts owed by Group Undertakings	1,500,000	-
Deferred tax asset (Note 15)	-	-
	<u>4,595,263</u>	<u>2,542,984</u>
Debtors – amounts recoverable after 12 months		
Deferred tax asset (Note 15)	93,957	172,011
	<u>93,957</u>	<u>172,011</u>

Amounts owed by Group Undertakings are unsecured. Interest is charged at 0.5323% per annum, payable in full along with the loan on 13 March 2018.

14. Creditors – amounts falling due within one year

	2017 £	2016 £
Trade creditors	4,177,158	3,268,147
Amounts owed to Group undertakings	1,096,876	468,467
Other taxation and social security	527,855	576,091
Accruals and deferred income	2,306,324	2,226,757
Defined contribution pension scheme accrual	11,330	905
	<u>8,119,543</u>	<u>6,540,368</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 2017 (continued)

15. Deferred tax

	2017 £	2016 £
At start of year	(168,609)	(108,552)
Deferred tax charge/(credit) in P&L for the year	74,604	170,227
Adjustment in respect of prior years	48	(230,284)
At end of year	<u>(93,957)</u>	<u>(168,609)</u>

	2017 £	2016 £
Accelerated capital allowances	(65,636)	3,402
STTD's - trading	(3,765)	(13,073)
Short term timing differences - non trading	(24,556)	(158,938)
	<u>(93,957)</u>	<u>(168,609)</u>

Deferred tax assets

Recoverable after 12 months	<u>(93,957)</u>	<u>(172,011)</u>
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Deferred tax liabilities

Payable after 12 months	<u>-</u>	<u>3,402</u>
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Blackcircles.com Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

16. Called-up share capital

	2017 £	2016 £
Allotted, called-up and fully-paid		
100 ordinary shares of £1.00 each	100	100
Dividends		
Equity – Ordinary		
Final 2016 paid	1,173,505	-
Dividend per share	11,735	-

17. Reserves

Profit and loss account - this reserve records retained earnings and accumulated losses

Merger reserve – reserve created on previous merger

18. Financial commitments

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

	2017 £	2016 £
Fixtures, fittings and equipment	39,015	30,720
Stock	35,400	-
	74,415	30,720

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

	2017 £	2016 £
Payments due :		
- Not later than one year	176,641	174,220
- Later than one year and not later than five years	176,818	336,496
	353,459	510,716

The company had no other off balance sheet arrangements.

Blackcircles.com Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

19. 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 £124,616 (2016: £112,079) represents contributions payable to the scheme by the Company in the year. As at 31 December 2017, contributions of £11,330 (2016: £905) due in respect of the current reporting year had not been paid over to the scheme

20. Related party transactions

Transactions with group companies

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.

Transactions with key management personnel

The company engaged in consultancy services with The Welch Group Limited, a company owned by Mr M Welch, previous director of the company (resigned 13 June 2017). Services provided in the year amounted to £32,000. No amount was outstanding at the year end.

21. Controlling party

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

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.