

COMPANIES HOUSE
EDINBURGH

27 SEP 2019

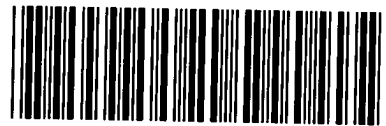
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Blackcircles.com Limited

**Annual report and financial statements
for the year ended 31 December 2018**

Registered number: SC224310

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COMPANIES HOUSE

Blackcircles.com Limited

Contents

Officers and professional advisers	1
Strategic report	2
Directors' report	4
Directors' responsibilities statement	6
Independent auditors' report	7
Statement of Comprehensive Income	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13

Blackcircles.com Limited

Officers and Professional Advisers

Directors

Eric Chaniot
Graeme Cole
Gary Guthrie (appointed 1 March 2018)

Company Secretary

Gillian Duddy

Registered Office

Tanfield
1 Inverleith Row
Edinburgh
EH3 5DA

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 delivered an exceptional year of growth, with the strong financial results just one proof point of the successful execution of its primary focus on improving the customer journey, alongside continued investment in supply chain relationships. Blackcircles saw double digit growth in revenues, a 181% increase year on year in EBITDA and an increase in PBIT of over £1m versus the prior year, outperforming the online tyre marketplace and further securing its position as market leader in online retailing of tyres. During the year, sales to both new and returning customers grew in absolute terms.

The company has launched during 2018 an International Franchisee programme in Asia and Canada, with a number of new geographies in the pipeline for 2019. The sales in each geography, though very localised in approach are growing. Refinements to the pilot commercial model will continue as Blackcircles expands its reach to a global audience and opportunity.

Key performance indicators

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

	2018	2017
Revenue	£64,569,317	£53,974,819
Earnings before Interest, Tax, Depreciation and Amortisation	£1,562,944	£555,300
Profit Before Tax	£1,176,425	£167,304

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)

Principal risks and uncertainties (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.

Brexit - The current situation with regards to Brexit creates some uncertainty for the company, although with relatively low risk. The directors are confident that the company is in a strong position to react quickly at the appropriate time when the future UK/EU relationship becomes clear, in order to continue to provide the highest levels of services to their customers.

Future developments

2018 has been an outstanding year in terms of financial results and we are confident there remains significant market growth opportunities within the motor services sector. The directors are confident that our customer centric approach to business decision making will define and safeguard our current competitive advantage within the industry providing a profitable growth strategy for Blackcircles in the coming years.

Approved by the board of directors and signed on its behalf by on 27th September 2019:

A handwritten signature in black ink, appearing to read 'Graeme Cole', with a long horizontal flourish extending to the right.

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 2018.

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 foreign currency cash balances and 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 directors do not recommend a final dividend for 2018 (2017: £0).

Blackcircles.com Limited

Directors' Report (continued)

Directors

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

Eric Chaniot
Sonia Fredou (resigned 1 March 2018)
Graeme Cole (Managing Director)
Gary Guthrie (appointed 1 March 2018)

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 (2017: £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 auditors are 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 auditors are 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 LLP have indicated their willingness to be appointed and appropriate arrangements have been put in place for them to be deemed appointed as auditors in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by on 27th September 2019:

The image shows a handwritten signature in black ink. The signature is written in a cursive, flowing style. The first part of the signature appears to be 'Graeme' and the second part appears to be 'Cole'. The signature is written over a horizontal line.

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 27th September 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Graeme Cole', with a long horizontal flourish extending to the right.

.....
Graeme Cole

Director

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 2018 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 2018; 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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

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 2018 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.

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
27th September 2019

Blackcircles.com Limited

Statement of Comprehensive Income For the year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	4	64,569,317	53,974,819
Cost of Sales		(55,314,452)	(47,149,744)
Gross profit		<u>9,254,865</u>	<u>6,825,075</u>
Administrative expenses		(8,919,804)	(7,302,663)
Other income		<u>821,959</u>	<u>632,341</u>
Operating profit		<u>1,157,020</u>	<u>154,753</u>
Interest receivable and similar income	5	<u>19,405</u>	<u>12,551</u>
Profit on ordinary activities before taxation	6	<u>1,176,425</u>	<u>167,304</u>
Tax on ordinary activities	8	(180,995)	(71,923)
Profit for the financial year	16	<u><u>995,430</u></u>	<u><u>95,381</u></u>

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 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	9	516,485	451,429
Tangible assets	10	451,415	277,577
		<u>967,900</u>	<u>729,006</u>
Current assets			
Stock	11	182,742	59,290
Debtors (including £87,495 (2017: £93,957) due after one year)	12	6,740,498	4,689,220
Cash at bank and in hand		2,744,537	2,774,983
		<u>9,667,777</u>	<u>7,523,493</u>
Creditors: Amounts falling due within one year	13	<u>(9,507,291)</u>	<u>(8,119,543)</u>
Net current assets/ (liabilities)		<u>160,486</u>	<u>(596,050)</u>
Total assets less current liabilities		<u>1,128,386</u>	<u>132,956</u>
Net assets		<u>1,128,386</u>	<u>132,956</u>
Capital and reserves			
Called-up share capital	15	100	100
Merger reserve	16	37,475	37,475
Profit and loss account	16	1,090,811	95,381
Shareholder's funds		<u>1,128,386</u>	<u>132,956</u>

The financial statements of Blackcircles.com Limited, registered number SC224310, were approved by the board of directors and authorised for issue on 27th September 2019. They were signed on its behalf by:



Graeme Cole

Director

Blackcircles.com Limited

Statement of changes in equity For the year ended 31 December 2018

	Note	Called up share capital £	Merger reserve £	Profit & Loss account £	Total £
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		-	-	95,381	95,381
Dividends	15	-	-	(1,173,505)	(1,173,505)
Total transactions with owners, recognised directly in equity		-	-	(1,173,505)	(1,173,505)
Balance as at 31 December 2017		100	37,475	95,381	132,956
Balance as at 1 January 2018		100	37,475	95,381	132,956
Profit for the year		-	-	995,430	995,430
Balance as at 31 December 2018		100	37,475	1,090,811	1,128,386

Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2018

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 Tanfield, 1 Inverleith Row, Edinburgh, EH3 5DA.

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.

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 2018 (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
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Computer hardware	20% - 33% per annum
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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 2018 (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 2018 (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. Additionally, this category includes revenue generated from the International franchisees.

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 2018 (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.

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 2018 (continued)

3. Accounting policies (continued)

(a) Financial assets (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 2018 (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.

Key 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.

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.

Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2018 (continued)

5. Interest receivable and similar income

	2018 £	2017 £
Bank interest received	2,680	1,860
Group interest	16,725	10,691
	<u>19,405</u>	<u>12,551</u>

6. Profit on ordinary activities before taxation

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

	2018 £	2017 £
Depreciation of tangible fixed assets	181,616	175,523
Amortisation of intangible fixed assets	224,308	225,024
Operating lease rentals:		
Plant and machinery	37,840	38,244
Property	233,819	162,295
	<u>233,819</u>	<u>162,295</u>

The analysis of the auditors' remuneration is as follows:

	2018 £	2017 £
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	27,965	27,163
Total audit fees	<u>27,965</u>	<u>27,163</u>

The audit fee's payable include £nil (2017: £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 2018 (continued)

7. Staff costs

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

	2018 No.	2017 No.
By activity:		
Directors	1	1
Operations	37	38
Administration	19	20
	<u>57</u>	<u>59</u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	2,126,497	2,101,874
Social security costs	183,386	171,340
Other pension costs (see note 18)	140,235	124,616
	<u>2,450,118</u>	<u>2,397,830</u>

	2018 £	2017 £
Total Directors' remuneration		
Aggregate Emoluments	135,946	98,077
Company contributions to defined contribution pension scheme – 1 director (2017: 2 directors)	<u>11,191</u>	<u>8,246</u>
Highest paid director		
Aggregate Emoluments	135,946	60,780
Company contributions to defined contribution pension scheme	<u>11,191</u>	<u>4,945</u>

The fees above of the director of the parent company, Black Circles Holdings Limited, were borne by Blackcircles.com Limited (2017: two directors).

Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2018 (continued)

8. Tax on profit on ordinary activities

The tax charge comprises:

	2018 £	2017 £
Current tax	174,533	(2,729)
Deferred tax		
Origination and reversal of timing differences	49,807	84,464
Adjustment in respect of previous periods	(38,102)	48
Effect of changes in tax rates	(5,243)	(9,860)
Total deferred tax	<u>6,462</u>	<u>74,652</u>
Total tax on profit on ordinary activities	<u>180,995</u>	<u>71,923</u>

The charge for the year can be reconciled to the profit per Statement of Comprehensive Income as follows:

	2018 £	2017 £
Profit / (loss) on ordinary activities before tax	<u>1,176,425</u>	<u>167,304</u>
Tax at standard UK corporation tax rate of 19.00% (2017: 19.25%)	223,521	32,200
Effects of:		
Expenses not deductible	4,453	52,265
Effects of group relief	(3,632)	
Adjustment from previous periods	(38,102)	(2,679)
Change in tax rates	(5,245)	(9,863)
Current tax charge/(credit) for the period	<u>180,995</u>	<u>71,923</u>

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 financial statements have been recognised at the rate at which timing differences are expected to reverse.

Blackcircles.com Limited

Notes to the financial statements

For the year ended 31 December 2018 (continued)

9. Intangible fixed assets

	Intangible Assets under Development £	Computer Software £	Total £
Cost			
At 1 January 2018	41,196	2,110,110	2,151,306
Additions	473,621	209,367	682,988
Disposals	-	(14,100)	(14,100)
Transfers	(390,673)	-	(390,673)
At 31 December 2018	124,144	2,305,377	2,429,521
Accumulated Amortisation			
At 1 January 2018	-	1,699,877	1,699,877
Charge for year	-	224,308	224,308
Disposals	-	(11,148)	(11,148)
Impairment	-	-	-
At 31 December 2018	-	1,913,036	1,913,036
Net book value			
At 31 December 2018	124,144	392,341	516,485
At 31 December 2017	41,196	410,233	451,429

There are no individually material intangible assets (2017: none).

Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2018 (continued)

10. Tangible fixed assets

	Fixtures, fittings and equipment £	Computer hardware £	Total £
Cost			
At 1 January 2018	956,531	443,619	1,400,150
Additions	338,612	16,907	355,519
Disposals	(17,962)	-	(17,962)
At 31 December 2018	<u>1,277,181</u>	<u>460,526</u>	<u>1,737,707</u>
Accumulated Depreciation			
At 1 January 2018	725,529	397,045	1,122,574
Charge for the year	154,837	26,779	181,616
Disposals	(17,898)	-	(17,898)
At 31 December 2018	<u>862,468</u>	<u>423,824</u>	<u>1,286,292</u>
Net book value			
At 31 December 2018	<u>414,713</u>	<u>36,702</u>	<u>451,415</u>
At 31 December 2017	<u>231,002</u>	<u>46,574</u>	<u>277,576</u>

11. Stock

	2018 £	2017 £
Goods held for resale	<u>182,742</u>	<u>59,290</u>

Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2018 (continued)

12. Debtors

	2018 £	2017 £
Trade debtors	1,495,360	1,088,266
Other debtors	2,657,643	2,006,997
Amounts owed by Group Undertakings	2,500,000	1,500,000
	<u>6,653,003</u>	<u>4,595,263</u>
Debtors – amounts recoverable after one year		
Deferred tax asset (Note 14)	87,495	93,957
	<u>87,495</u>	<u>93,957</u>

Amounts owed by Group Undertakings are unsecured. Interest is charged at 1.182% per annum, paid in full along with the loan on 13 June 2019.

13. Creditors – amounts falling due within one year

	2018 £	2017 £
Trade creditors	4,931,330	4,177,158
Amounts owed to Group undertakings	1,097,919	1,096,876
Taxation and social security	680,255	527,855
Accruals and deferred income	2,797,787	2,306,324
Defined contribution pension scheme accrual	-	11,330
	<u>9,507,291</u>	<u>8,119,543</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 2018 (continued)

14. Deferred tax

	2018 £	2017 £
At start of year	(93,957)	(168,609)
Deferred tax charge/(credit) in P&L for the year	44,564	74,604
Adjustment in respect of prior years	(38,102)	48
At end of year	<u>(87,495)</u>	<u>(93,957)</u>
	2018 £	2017 £
Fixed asset timing differences	(84,008)	(65,636)
STTD's - trading	(3,487)	(3,765)
Short term timing differences - non trading	-	(24,556)
	<u>(87,495)</u>	<u>(93,957)</u>
Deferred tax assets		
Recoverable after one year	<u>(87,495)</u>	<u>(93,957)</u>
Deferred tax liabilities		
Payable after one year	<u>-</u>	<u>-</u>

Blackcircles.com Limited

Notes to the financial statements For the year ended 31 December 2018 (continued)

15. Called-up share capital

	2018 £	2017 £
Allotted, called-up and fully-paid		
100 (2017: 100) ordinary shares of £1.00 each	100	100
Dividends		
Equity – Ordinary		
Final paid	-	1,173,505
Dividend per share	-	11,735

16. Reserves

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

Merger reserve – reserve created on previous merger

17. Financial commitments

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

	2018 £	2017 £
Fixtures, fittings and equipment	2,000	39,015
Stock	99,863	35,400
	<u>101,863</u>	<u>74,415</u>

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

	2018 £	2017 £
Payments due :		
- Not later than one year	296,277	176,641
- Later than one year and not later than five years	1,008,068	176,818
- Later than 5 years	48,663	-
	<u>1,353,008</u>	<u>353,459</u>

The company had no other off balance sheet arrangements.

Blackcircles.com Limited

Notes to the financial statements

For the year ended 31 December 2018 (continued)

18. 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 £140,235 (2017: £124,616) represents contributions payable to the scheme by the Company in the year. As at 31 December 2018, contributions of £0 (2017: £11,330) due in respect of the current reporting year had not been paid over to the scheme

19. 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.

20. Controlling party

At 31 December 2018 the immediate parent company was 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.

The largest group in which the results of the company are consolidated is that headed by CGEM. The smallest group in which the result of the company are consolidated is that headed by Compagnie Financiere Michelin SCmA, Granges-Paccot, which is incorporated in Switzerland. The financial statements of this company are available to the public and can be obtained from 10 Route Louis-Braille, Granges-Paccot, Fribourg, Switzerland.

21. Events after the reporting period

On 7 May 2019, Black Circles Holdings Limited, the immediate parent company was dissolved. At 31 December 2018, creditors of Blackcircles.com Limited contained a balance of £1,097,330 owing to Black Circles Holdings Limited. This liability has been waived by Black Circles Holdings Limited as part of the winding up and deregistration of the company.