

Company Registration No. 04608351 (England and Wales)

**UPGRADE BIKES LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

# UPGRADE BIKES LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr D H Mason Mr M E Ryley
<b>Secretary</b>	Mr M E Ryley
<b>Company number</b>	04608351
<b>Registered office</b>	Amelia House Crescent Road Worthing West Sussex BN11 1QR
<b>Auditor</b>	MHA Carpenter Box 2 Peveril Court 6-8 London Road Crawley West Sussex RH10 8JE
<b>Business address</b>	Units A - B Star Road Trading Estate Partridge Green West Sussex RH13 8RA

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# UPGRADE BIKES LIMITED

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# UPGRADE BIKES LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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The directors present the strategic report for the year ended 31 December 2016.

### **Fair review of the business**

The directors are pleased with the performance of the business in the current year. Revenue has maintained a strong performance in a year of consolidation with an increase of 8% compared to the previous year's revenue. This year's revenue of £11.6m is a record for the company.

The directors continue to explore strategies to increase market share with continued investment in advertising and a strong presence at trade shows and other biking events.

The gross profit margin showed a small increase from 20% in 2015 to 21% in 2016. The directors consider that the margin seen in 2016 is consistent with the expectations for the year and note that the margin is consistent with results seen last year.

The company continues to have strong relationships with its suppliers and the directors expect margins to continue to be consistent going forward with strong demand continuing in the market.

At the balance sheet date the company is in a strong position with net current assets in excess of £3.4m.

The directors consider that the exposure to foreign exchange movements continues to be a significant risk to the business, especially with the recent volatility in the market, the significant number of suppliers located in the Far East and the majority of these purchases being completed in US dollars. This risk is mitigated by forward contracts in place with the company's bankers. Despite the fair value loss on these contracts in the current year, overall the company has benefited financially with foreign exchange gains exceeding the fair value losses on the forward contracts. The directors will continue to invest in these forward contract products going forwards.

Stock levels continue to be closely monitored and provisions are made where necessary for old and slow moving stock. This is a crucial area for the company following the growth seen in the previous few years, the current position in the business life cycle and the continued long lead times for stock delivery.

The directors look forward to the future, with strong expectation that the company will continue to perform well and produce good profitability.

On behalf of the board

Mr M E Ryley

**Director**

25 May 2017

# UPGRADE BIKES LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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The directors present their annual report and financial statements for the year ended 31 December 2016.

### **Principal activities**

The principal activity of the company continued to be that of the distribution of racing and mountain bicycles and bicycle parts.

### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr D H Mason

Mr M E Ryley

### **Results and dividends**

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

### **Financial instruments**

#### ***Treasury operations and financial instruments***

The company operates a treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the company's activities.

The company's principal financial instruments include derivative financial instruments, the purpose of which is to manage currency risks and interest rate risks arising from the company's activities, and bank loans, the main purpose of which is to raise finance for the company's operations. In addition, the company has various other financial assets and liabilities such as trade receivables and trade payables arising directly from its operations. Derivative transactions which the company enters into principally comprise forward exchange contracts. In accordance with the company's treasury policy, derivative instruments are not entered into for speculative purposes.

#### ***Liquidity risk***

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

#### ***Interest rate risk***

The company is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits and bank loans. The company uses interest rate derivatives to manage the mix of fixed and variable rate debt so as to reduce its exposure to changes in interest rates.

#### ***Foreign currency risk***

The company's principal foreign currency exposures arise from trading with overseas companies. Company policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling. This hedging activity involves the use of foreign exchange forward contracts.

#### ***Credit risk***

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade receivables are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

# **UPGRADE BIKES LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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### **Research and development**

The company aims to produce bikes and parts at certain price points and performance standards. Research and development is carried out across a number of products and always involves the commercial assessment of the designs, production of prototypes and performance testing.

### **Future developments**

The directors believe that there are currently no major future developments requiring disclosure.

### **Auditor**

The auditor, MHA Carpenter Box, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr M E Ryley

**Director**

25 May 2017

# **UPGRADE BIKES LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2016***

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The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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. They 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.

# UPGRADE BIKES LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UPGRADE BIKES LIMITED

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We have audited the financial statements of Upgrade Bikes Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement Of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements; and
- in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report and the Directors' Report.



## **UPGRADE BIKES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF UPGRADE BIKES LIMITED**

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##### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

**Tony Summers BA FCA (Senior Statutory Auditor)**  
**for and on behalf of MHA Carpenter Box**  
**Chartered Accountants**  
**Statutory Auditor**  
**Crawley**

25 May 2017

## UPGRADE BIKES LIMITED

### STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Revenue	3	11,568,935	10,674,803
Cost of sales		(9,125,530)	(8,524,254)
<b>Gross profit</b>		<b>2,443,405</b>	<b>2,150,549</b>
Distribution costs		(780,205)	(729,674)
Administrative expenses		(286,561)	(548,517)
Exceptional item	4	(673,629)	-
<b>Operating profit</b>	5	<b>703,010</b>	<b>872,358</b>
Investment income		1,854	544
Finance costs	8	(17,345)	(18,146)
Fair value gains and losses on foreign exchange contracts		(122,286)	116,161
<b>Profit before taxation</b>		<b>565,233</b>	<b>970,917</b>
Taxation	9	(89,071)	(162,795)
<b>Profit for the financial year</b>		<b>476,162</b>	<b>808,122</b>

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

# UPGRADE BIKES LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		2016		2015	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Intangible assets			825		825
Property, plant and equipment	10		1,198,517		1,203,773
			<u>1,199,342</u>		<u>1,204,598</u>
<b>Current assets</b>					
Inventories	12	3,241,066		3,165,341	
Trade and other receivables	13	1,946,481		1,873,834	
Cash at bank and in hand		1,901,539		822,538	
		<u>7,089,086</u>		<u>5,861,713</u>	
<b>Current liabilities</b>	14	<u>(3,653,155)</u>		<u>(2,885,051)</u>	
<b>Net current assets</b>			3,435,931		2,976,662
<b>Total assets less current liabilities</b>			<u>4,635,273</u>		<u>4,181,260</u>
<b>Non-current liabilities</b>	15		(529,824)		(556,973)
<b>Provisions for liabilities</b>	17		<u>(5,000)</u>		<u>-</u>
<b>Net assets</b>			<u>4,100,449</u>		<u>3,624,287</u>
<b>Equity</b>					
Called up share capital	19		6,000		6,000
Capital redemption reserve	21		1		1
Retained earnings			4,094,448		3,618,286
<b>Total equity</b>			<u>4,100,449</u>		<u>3,624,287</u>

The financial statements were approved by the board of directors and authorised for issue on 25 May 2017 and are signed on its behalf by:

Mr D H Mason  
Director

Mr M E Ryley  
Director

Company Registration No. 04608351

## UPGRADE BIKES LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

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	Share capital	Capital redemption reserve	Retained earnings	Total
Notes	£	£	£	£
<b>Balance at 1 January 2015</b>	6,001	-	2,810,165	2,816,166
<b>Year ended 31 December 2015:</b>				
Profit and total comprehensive income for the year	-	-	808,122	808,122
Redemption of shares	(1)	1	(1)	(1)
<b>Balance at 31 December 2015</b>	6,000	1	3,618,286	3,624,287
<b>Year ended 31 December 2016:</b>				
Profit and total comprehensive income for the year	-	-	476,162	476,162
<b>Balance at 31 December 2016</b>	6,000	1	4,094,448	4,100,449

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# UPGRADE BIKES LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016		2015	
		£	£	£	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	26		1,084,147		1,019,057
Interest paid			(17,345)		(18,146)
Income taxes refunded/(paid)			67,052		(450,086)
<b>Net cash inflow from operating activities</b>			<u>1,133,854</u>		<u>550,825</u>
<b>Investing activities</b>					
Purchase of property, plant and equipment		(29,775)		(41,145)	
Proceeds on disposal of property, plant and equipment		-		5,417	
Interest received		1,854		544	
<b>Net cash used in investing activities</b>			<u>(27,921)</u>		<u>(35,184)</u>
<b>Financing activities</b>					
Repayment of bank loans		(26,932)		(26,244)	
<b>Net cash used in financing activities</b>			<u>(26,932)</u>		<u>(26,244)</u>
<b>Net increase in cash and cash equivalents</b>			1,079,001		489,397
Cash and cash equivalents at beginning of year			822,538		333,141
<b>Cash and cash equivalents at end of year</b>			<u><u>1,901,539</u></u>		<u><u>822,538</u></u>

# UPGRADE BIKES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 Accounting policies

#### **Company information**

Upgrade Bikes Limited is a company limited by shares incorporated in England and Wales. The registered office is Amelia House, Crescent Road, Worthing, West Sussex, BN11 1QR.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of certain financial instruments at fair value. The principal accounting policies adopted are set out below.

#### 1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.3 Revenue

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

The following criteria must also be met before revenue is recognised:

##### ***Sale of goods***

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### ***Commissions receivable***

Revenue from commissions receivable is recognised when the individual transaction, for which the commission is earned, has been completed.

#### 1.4 Intangible fixed assets other than goodwill

Intangible assets that have been acquired separately from a business are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. It has not been considered necessary to recognise amortisation in respect of the trademark included in the financial statements as the balance is immaterial.

# UPGRADE BIKES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 Accounting policies (Continued)

#### 1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2% straight line - buildings element only
Improvements to property	10% straight line
Plant and machinery	25% diminishing balance
Fixtures, fittings and equipment	25% diminishing balance
Computer equipment	33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.6 Impairment of non-current assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

#### 1.7 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### 1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

# UPGRADE BIKES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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**1 Accounting policies** **(Continued)**

**1.9 Financial assets and liabilities**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

The company enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities including trade and other accounts receivable and payable, loans from banks and loans from related parties.

Debt instruments including loans and other accounts receivable and payable are initially measured at transaction price and subsequently at amortised cost using the effective interest method; Debt instruments that are payable or receivable within one year are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

The company also enters into other financial instruments in the use of forward foreign currency contracts in order to reduce exposure to foreign exchange rates.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles and carried out by a third party.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity. Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

**1.10 Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

**1.11 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

**Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.



# UPGRADE BIKES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 Accounting policies

(Continued)

#### *Deferred tax*

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax has not been recognised in the financial statements as in the directors opinion the balance is not material.

#### 1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.13 Retirement benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### 1.14 Leases

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

#### 1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

#### 1.16 Research and development

Research and development expenditure is written off in the year in which it is incurred.

## UPGRADE BIKES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

#### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

##### Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

##### Inventory impairment

The directors have made key assumptions in determining the appropriate impairment provision against inventory items held at the end of the reporting period, based on the ageing of inventory lines in excess of 12 months.

#### 3 Revenue

An analysis of the company's revenue is as follows:

	2016	2015
	£	£
<b>Revenue</b>		
Sales of goods	11,450,528	10,536,966
Commissions receivable	118,407	137,837
	<u>11,568,935</u>	<u>10,674,803</u>

##### Revenue analysed by geographical market

	2016	2015
	£	£
United Kingdom	11,285,541	10,323,528
Europe	283,394	351,275
	<u>11,568,935</u>	<u>10,674,803</u>

#### 4 Exceptional costs

	2016	2015
	£	£
Charges in relation to EFRBS	673,629	-
	<u>673,629</u>	<u>-</u>

Refer to note 23 for further details.

## UPGRADE BIKES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

#### 5 Operating profit

	2016	2015
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(317,606)	(132,841)
Fees payable to the company's auditor for the audit of the company's financial statements	4,000	4,000
Depreciation of owned property, plant and equipment	35,028	30,527
Profit on disposal of property, plant and equipment	-	(5,417)
Cost of inventories recognised as an expense	7,778,263	7,133,987
Operating lease charges	17,903	18,175
	<u>          </u>	<u>          </u>

#### 6 Employees

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

	2016	2015
	Number	Number
Directors	2	2
Administration	3	2
Marketing, IT and design	5	6
Warehouse	8	8
Sales	7	7
	<u>          </u>	<u>          </u>
	25	25
	<u>          </u>	<u>          </u>

Their aggregate remuneration comprised:

	2016	2015
	£	£
Wages and salaries	766,765	736,685
Social security costs	71,503	78,523
Pension costs	64,704	207,047
	<u>          </u>	<u>          </u>
	902,972	1,022,255
	<u>          </u>	<u>          </u>

# UPGRADE BIKES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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7 Directors' remuneration	2016	2015
	£	£
Remuneration for qualifying services	80,168	46,625
Company pension contributions to defined contribution schemes	43,800	186,400
	<u>123,968</u>	<u>233,025</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2015 - 2).

8 Finance costs	2016	2015
	£	£
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	17,345	18,146
	<u>17,345</u>	<u>18,146</u>

9 Taxation	2016	2015
	£	£
<b>Current tax</b>		
UK corporation tax on profits for the current period	140,692	191,145
Adjustments in respect of prior periods	(56,621)	(28,350)
Total current tax	<u>84,071</u>	<u>162,795</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	5,000	-
	<u>5,000</u>	<u>-</u>
Total tax charge	<u>89,071</u>	<u>162,795</u>

## UPGRADE BIKES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

#### 9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2016 £	2015 £
Profit before taxation	565,233	970,917
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.21%)	113,047	196,222
Tax effect of expenses that are not deductible in determining taxable profit	25,893	752
Adjustments in respect of prior years	(56,621)	(28,350)
Depreciation on assets not qualifying for tax allowances	2,577	2,485
Other non-reversing timing differences	-	(1,091)
Deferred tax adjustments in respect of prior years	4,175	(7,223)
Taxation for the year	89,071	162,795

## UPGRADE BIKES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

10	Property, plant and equipment	Freehold land/improvements to and buildings	property	Plant and fixtures, fittings and machinery and equipment	Computer equipment	Total
		£	£	£	£	£
	<b>Cost</b>					
	At 1 January 2016	1,144,000	53,978	28,798	21,130	91,624
	Additions	-	16,467	2,068	-	11,240
	At 31 December 2016	1,144,000	70,445	30,866	21,130	102,864
	<b>Depreciation and impairment</b>					
	At 1 January 2016	32,414	9,062	6,865	17,895	69,524
	Depreciation charged in the year	11,440	6,142	5,579	809	11,058
	At 31 December 2016	43,854	15,204	12,444	18,704	80,582
	<b>Carrying amount</b>					
	At 31 December 2016	1,100,146	55,241	18,422	2,426	22,282
	At 31 December 2015	1,111,586	44,917	21,934	3,235	22,101
	At 31 December 2015					1,203,773

# UPGRADE BIKES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

11 Financial instruments		2016	2015
		£	£
<b>Carrying amount of financial assets</b>			
Debt instruments measured at amortised cost		1,911,160	1,714,290
Instruments measured at fair value through profit or loss		8,044	130,330
		<u>1,919,204</u>	<u>1,844,620</u>
<b>Carrying amount of financial liabilities</b>			
Measured at amortised cost		2,760,955	2,698,485
		<u>2,760,955</u>	<u>2,698,485</u>
<p>The company purchases forward foreign currency contracts to hedge currency exposure on future commitments. The fair values of the assets and liabilities held at fair value through profit and loss at the balance sheet date are determined using quoted prices.</p>			
12 Inventories		2016	2015
		£	£
Finished goods and goods for resale		3,241,066	3,165,341
		<u>3,241,066</u>	<u>3,165,341</u>
13 Trade and other receivables		2016	2015
		£	£
<b>Amounts falling due within one year:</b>			
Trade receivables		1,911,160	1,714,290
Corporation tax recoverable		-	10,431
Derivative financial instruments		8,044	130,330
Prepayments and accrued income		27,277	18,783
		<u>1,946,481</u>	<u>1,873,834</u>
14 Current liabilities		2016	2015
	Notes	£	£
Bank loans and overdrafts	16	27,082	26,865
Trade payables		1,112,217	743,070
Corporation tax		140,692	-
Other taxation and social security		645,091	65,148
Other payables		1,621,656	1,928,550
Accruals and deferred income		106,417	121,418
		<u>3,653,155</u>	<u>2,885,051</u>

## UPGRADE BIKES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

15 Non-current liabilities	Notes	2016 £	2015 £
Bank loans and overdrafts	16	529,824	556,973

Amounts included above which fall due after five years are as follows:

Payable by instalments	413,987	444,302
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16 Borrowings	2016 £	2015 £
Bank loans	556,906	583,838
Payable within one year	27,082	26,865
Payable after one year	529,824	556,973

The bank loans are secured by legal charges over the company's freehold property and by a debenture and a fixed and floating charge over the company's assets.

17 Provisions for liabilities	Notes	2016 £	2015 £
Deferred tax liabilities	18	5,000	-

### 18 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Balances:	Liabilities 2016 £	Liabilities 2015 £
Accelerated capital allowances	5,000	-



# UPGRADE BIKES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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18	Deferred taxation	(Continued)
		2016
	<b>Movements in the year:</b>	<b>£</b>
	Liability at 1 January 2016	-
	Charge to profit or loss	5,000
	Liability at 31 December 2016	<u>5,000</u>

The directors have considered the deferred tax liabilities note above and concluded that it is not possible to state the estimated assets and liabilities which will reverse within the next 12 months. This is due to the level of reversal being dependant on events which are not yet known.

19	Share capital	2016	2015
		£	£
	<b>Ordinary share capital</b>		
	<b>Issued and fully paid</b>		
	2,000 Ordinary A shares of £1 each	2,000	2,000
	4,000 Ordinary B shares of £1 each	4,000	4,000
		<u>6,000</u>	<u>6,000</u>

Ordinary A shares have attached to them full voting, dividend and capital distribution (including on winding up) rights.

Ordinary B shares are non-voting shares and hold no rights but may be considered separately by the directors when declaring dividends.

20	Retirement benefit schemes	2016	2015
		£	£
	<b>Defined contribution schemes</b>		
	Charge to profit or loss in respect of defined contribution schemes	64,704	207,047

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit or loss in respect of defined contribution schemes was £64,704 (2015 - £207,047).

### 21 Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

## UPGRADE BIKES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 22 Operating lease commitments

##### Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £	2015 £
Within one year	14,484	14,118
Between two and five years	17,063	15,495
	<u>31,547</u>	<u>29,613</u>

#### 23 Financial commitments, guarantees and contingent liabilities

HM Revenue & Customs have opened enquiries into the PAYE and National Insurance contributions in respect of the years ended 31 December 2009, 31 December 2010, 31 December 2011 and 31 December 2012. The ongoing enquiries relates to the company's contributions to an Employer Funded Retirement Benefit Scheme during these periods.

During the year the company has received charges from HM Revenue & Customs totalling £673,629, covering three years of PAYE and one year of National Insurance liabilities. HM Revenue & Customs have issued Notices of Determination proposing National Insurance liabilities. Whilst the directors have appealed against these, it is uncertain whether these or any further liabilities will become chargeable.

At the balance sheet date the company owed £523,933 which has been included within the Other Taxation and Social Security figure within current liabilities. The remaining potential liabilities for PAYE and National Insurance are unknown.

#### 24 Related party transactions

##### Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

	2016 £	2015 £
Aggregate compensation	<u>123,968</u>	<u>233,025</u>

##### Transactions with related parties

During the year dividends of £Nil (2015 - £75,459) were paid to shareholders who are relatives of the directors.

No guarantees have been given or received.

## UPGRADE BIKES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 25 Directors' transactions

At the balance sheet date the directors were owed £1,616,334 (2015 - £1,923,228) by the company included in other payables. The loans are interest free and have no fixed repayment date.

#### 26 Cash generated from operations

	2016	2015
	£	£
Profit for the year after tax	476,162	808,122
<b>Adjustments for:</b>		
Taxation charged	89,071	162,795
Finance costs	17,345	18,146
Investment income	(1,854)	(544)
Gain on disposal of property, plant and equipment	-	(5,417)
Fair value gains and losses on foreign exchange contracts and investment properties	122,286	(116,161)
Depreciation and impairment of property, plant and equipment	35,028	30,527
<b>Movements in working capital:</b>		
(Increase) in inventories	(75,725)	(333,585)
(Increase)/decrease in trade and other receivables	(205,364)	403,072
Increase in trade and other payables	627,198	52,102
<b>Cash generated from operations</b>	<u>1,084,147</u>	<u>1,019,057</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.