

Company Registration No. 04608351 (England and Wales)

UPGRADE BIKES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

UPGRADE BIKES LIMITED

COMPANY INFORMATION

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

UPGRADE BIKES LIMITED

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UPGRADE BIKES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present the strategic report for the year ended 31 December 2017.

Fair review of the business

The directors are pleased with the performance of the business for the year ended 31 December 2017. This year's revenue at £12.1m is a record for the company and this strong performance represents an increase of 4.4% compared to the previous year's turnover.

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 decreased slightly in the year to 18.1% from 21.1% in the previous year. The directors consider this margin as consistent with expectations for the year as there has been a real push to sell older stock in the year, but this has been done at lower margins. However, it mustn't be forgotten that profit before taxation has increased by over £150k.

As seen in note 4 the HM Revenue & Customs enquiry into the Employer Funded Retirement Benefit Scheme and a Special Purpose Trust has now been finalised and the final liabilities agreed. Looking forward the directors believe that this will not have any impact on the company's trading cashflow, and the company continues to trade consistently, as in prior years.

The company continues to have strong relationships with its suppliers and the directors expect margins to become more consistent going forward with strong demand continuing in the market. At the statement of financial position date, the company is in a strong position with net current assets in excess of £1.6m.

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. The performance of these forward contract products has historically proved to be very encouraging and the directors will continue to invest in these 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 recent large growth, 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 September 2018

UPGRADE BIKES LIMITED

DIRECTORS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and financial statements for the year ended 31 December 2017.

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.

Ordinary dividends were paid amounting to £20,000. The directors do not recommend payment of a further 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.

UPGRADE BIKES LIMITED

DIRECTORS REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

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 September 2018

UPGRADE BIKES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

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

Opinion

We have audited the financial statements of Upgrade Bikes Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement Of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Use of our report

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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

UPGRADE BIKES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF UPGRADE BIKES LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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.

Responsibilities of directors

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, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

26 September 2018

UPGRADE BIKES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Revenue	3	12,082,434	11,568,935
Cost of sales		(9,895,361)	(9,125,530)
Gross profit		2,187,073	2,443,405
Distribution costs		(869,391)	(780,205)
Administrative expenses		(539,745)	(286,561)
Exceptional item	4	(19,220)	(673,629)
Operating profit	5	758,717	703,010
Investment income		1,276	1,854
Finance costs		(11,530)	(17,345)
Fair value gains and losses on foreign exchange contracts		(26,174)	(122,286)
Profit before taxation		722,289	565,233
Tax on profit	8	(160,834)	(89,071)
Profit for the financial year		561,455	476,162

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 2017

		2017		2016	
	Notes	£	£	£	£
Fixed assets					
Intangible assets			825		825
Property, plant and equipment	10		1,176,833		1,198,517
			<u>1,177,658</u>		<u>1,199,342</u>
Current assets					
Inventories	12	3,647,727		3,241,066	
Trade and other receivables	13	1,621,808		1,946,481	
Cash and cash equivalents		589,182		1,901,539	
		<u>5,858,717</u>		<u>7,089,086</u>	
Current liabilities	14	(1,266,294)		(3,653,155)	
Net current assets			<u>4,592,423</u>		<u>3,435,931</u>
Total assets less current liabilities			5,770,081		4,635,273
Non-current liabilities	15		(1,124,177)		(529,824)
Provisions for liabilities	17		(4,000)		(5,000)
Net assets			<u>4,641,904</u>		<u>4,100,449</u>
Equity					
Called up share capital	19		6,000		6,000
Capital redemption reserve	21		1		1
Retained earnings			4,635,903		4,094,448
Total equity			<u>4,641,904</u>		<u>4,100,449</u>

The financial statements were approved by the board of directors and authorised for issue on 25 September 2018 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 2017

	Share capital	Capital redemption reserve	Retained earnings	Total
Notes	£	£	£	£
Balance at 1 January 2016	6,000	1	3,618,286	3,624,287
Year ended 31 December 2016:				
Profit and total comprehensive income for the year	-	-	476,162	476,162
Balance at 31 December 2016	6,000	1	4,094,448	4,100,449
Year ended 31 December 2017:				
Profit and total comprehensive income for the year	-	-	561,455	561,455
Dividends	9	-	(20,000)	(20,000)
Balance at 31 December 2017	6,000	1	4,635,903	4,641,904

UPGRADE BIKES LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017		2016	
		£	£	£	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	25		(930,747)		1,084,147
Interest paid			(11,530)		(17,345)
Income taxes (paid)/refunded			(115,298)		67,052
			<u> </u>		<u> </u>
Net cash (outflow)/inflow from operating activities			(1,057,575)		1,133,854
Investing activities					
Purchase of property, plant and equipment		(17,267)		(29,775)	
Interest received		1,276		1,854	
		<u> </u>		<u> </u>	
Net cash used in investing activities			(15,991)		(27,921)
Financing activities					
Repayment of bank loans		(218,791)		(26,932)	
Dividends paid		(20,000)		-	
		<u> </u>		<u> </u>	
Net cash used in financing activities			(238,791)		(26,932)
Net (decrease)/increase in cash and cash equivalents			(1,312,357)		1,079,001
Cash and cash equivalents at beginning of year			1,901,539		822,538
			<u> </u>		<u> </u>
Cash and cash equivalents at end of year			589,182		1,901,539
			<u> </u>		<u> </u>

UPGRADE BIKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

Company information

Upgrade Bikes Limited is a private 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 £1.

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:

Sales 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 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.

UPGRADE BIKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (Continued)

1.5 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.

1.6 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.

1.7 Cash and cash equivalents

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

1.8 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.

UPGRADE BIKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies **(Continued)**

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.

1.9 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.

1.10 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.

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.

1.11 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.

1.12 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.

1.13 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.

1.14 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.

UPGRADE BIKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (Continued)

1.15 Research and development

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

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:

	2017	2016
	£	£
Revenue		
Sales of goods	11,842,131	11,450,528
Commissions receivable	240,303	118,407
	<u>12,082,434</u>	<u>11,568,935</u>

Revenue analysed by geographical market

	2017	2016
	£	£
United Kingdom	11,599,008	11,285,541
Europe	483,426	283,394
	<u>12,082,434</u>	<u>11,568,935</u>

UPGRADE BIKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

4	Exceptional costs	2017	2016
		£	£
	Charges in relation to EFRBS and SPT	19,220	673,629
		<u> </u>	<u> </u>

Since the year end the company has received its final charges from HM Revenue & Customs in respect of the years ended 31 December 2009, 31 December 2010, 31 December 2011, 31 December 2012, 31 December 2013 and 31 December 2014. These amounts have been included in the current year financial statements and relate to the company's previous contributions to both an Employer Funded Retirement Benefit Scheme (EFRBS) and a Special Purpose Trust (SPT) during these periods.

5	Operating profit	2017	2016
		£	£
	Operating profit for the year is stated after charging/(crediting):		
	Exchange losses/(gains)	17,978	(317,606)
	Fees payable to the company's auditor for the audit of the company's financial statements	5,000	4,000
	Depreciation of owned property, plant and equipment	38,951	35,028
	Cost of inventories recognised as an expense	8,363,434	7,778,263
	Operating lease charges	13,712	17,903
		<u> </u>	<u> </u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £17,978 (2016 - £317,606).

6 Employees

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

	2017	2016
	Number	Number
Directors	2	2
Administration	5	3
Marketing, IT and design	5	5
Warehouse	9	8
Sales	8	7
	<u> </u>	<u> </u>
	29	25
	<u> </u>	<u> </u>

UPGRADE BIKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

6 Employees (Continued)

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	812,827	766,765
Social security costs	81,173	71,503
Pension costs	33,864	64,704
	<u>927,864</u>	<u>902,972</u>

7 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	20,160	54,418
Company pension contributions to defined contribution schemes	9,600	43,800
	<u>29,760</u>	<u>98,218</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2016 - 2).

8 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	187,228	140,692
Adjustments in respect of prior periods	(25,394)	(56,621)
Total current tax	<u>161,834</u>	<u>84,071</u>
Deferred tax		
Origination and reversal of timing differences	<u>(1,000)</u>	<u>5,000</u>
Total tax charge	<u>160,834</u>	<u>89,071</u>

UPGRADE BIKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

8 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:

	2017 £	2016 £
Profit before taxation	722,289	565,233
Expected tax charge based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	139,041	113,047
Tax effect of expenses that are not deductible in determining taxable profit	113,304	25,893
Tax effect of utilisation of tax losses not previously recognised	(49,169)	-
Adjustments in respect of prior years	(25,394)	(56,621)
Depreciation on assets not qualifying for tax allowances	2,639	2,577
Research and development tax credit	(18,395)	-
Other non-reversing timing differences	(258)	4,175
Revenue items capitalised	(934)	-
Taxation charge for the year	160,834	89,071
9 Dividends	2017 £	2016 £
Final paid	20,000	-

UPGRADE BIKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

10	Property, plant and equipment	Freehold land/improvements to and buildings	property	Plant and fixtures, fittings and machinery and equipment	Computer equipment	Total
		£	£	£	£	£
	Cost					
	At 1 January 2017	1,144,000	70,445	30,866	21,130	1,02,864
	Additions	-	4,852	-	-	12,415
	At 31 December 2017	1,144,000	75,297	30,866	21,130	115,279
	Depreciation and impairment					
	At 1 January 2017	43,854	15,204	12,444	18,704	80,582
	Depreciation charged in the year	11,440	7,238	4,606	607	15,060
	At 31 December 2017	55,294	22,442	17,050	19,311	95,642
	Carrying amount					
	At 31 December 2017	1,088,706	52,855	13,816	1,819	19,637
	At 31 December 2016	1,100,146	55,241	18,422	2,426	22,282
	At 31 December 2016					1,198,517

UPGRADE BIKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

11 Financial instruments	2017	2016
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	1,590,447	1,911,160
Instruments measured at fair value through profit or loss	-	8,044
	<u> </u>	<u> </u>
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	18,130	-
Measured at amortised cost	583,153	2,760,955
	<u> </u>	<u> </u>

The company purchases forward foreign currency contracts to manage 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. At the statement of financial position date the company has agreed forward contracts totalling £1,310,281 (2016 - £1,247,997) for the purchase of foreign currency.

12 Inventories	2017	2016
	£	£
Finished goods and goods for resale	3,647,727	3,241,066
	<u> </u>	<u> </u>

13 Trade and other receivables	2017	2016
	£	£
Amounts falling due within one year:		
Trade receivables	1,590,447	1,911,160
Derivative financial instruments	-	8,044
Prepayments and accrued income	31,361	27,277
	<u> </u>	<u> </u>
	1,621,808	1,946,481
	<u> </u>	<u> </u>

14 Current liabilities		2017	2016
	Notes	£	£
Bank loans and overdrafts	16	16,166	27,082
Trade payables		383,418	1,112,217
Corporation tax		187,228	140,692
Other taxation and social security		413,816	645,091
Derivative financial instruments		18,130	-
Other payables		183,569	1,621,656
Accruals and deferred income		63,967	106,417
		<u> </u>	<u> </u>
		1,266,294	3,653,155
		<u> </u>	<u> </u>

UPGRADE BIKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

15 Non-current liabilities

	Notes	2017 £	2016 £
Bank loans and overdrafts	16	321,949	529,824
Other taxation and social security		802,228	-
		<u>1,124,177</u>	<u>529,824</u>

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

Payable by instalments	253,744	413,987
	<u>253,744</u>	<u>413,987</u>

16 Borrowings

	2017 £	2016 £
Bank loans	338,115	556,906
	<u>338,115</u>	<u>556,906</u>
Payable within one year	16,166	27,082
Payable after one year	321,949	529,824
	<u>338,115</u>	<u>556,906</u>

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	2017 £	2016 £
Deferred tax liabilities	18	4,000	5,000
		<u>4,000</u>	<u>5,000</u>

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:

	Liabilities 2017 £	Liabilities 2016 £
Balances:		
Accelerated capital allowances	4,000	5,000
	<u>4,000</u>	<u>5,000</u>

UPGRADE BIKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

18	Deferred taxation	(Continued)
		2017
	Movements in the year:	£
	Liability at 1 January 2017	5,000
	Credit to profit or loss	(1,000)
	Liability at 31 December 2017	<u>4,000</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	2017	2016
		£	£
	Ordinary share capital		
	Issued and fully paid		
	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	2017	2016
		£	£
	Defined contribution schemes		
	Charge to profit or loss in respect of defined contribution schemes	33,864	64,704

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.

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 2017

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:

	2017	2016
	£	£
Within one year	8,816	14,484
Between two and five years	8,246	17,063
	<u>17,062</u>	<u>31,547</u>

23 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2017	2016
	£	£
Aggregate compensation	29,760	98,231
	<u>29,760</u>	<u>98,231</u>

24 Directors' transactions

At the balance sheet date the directors were owed £178,240 (2016 - £1,616,334) by the company, this amount is included within other payables. The loans are interest free and have no fixed repayment date.

UPGRADE BIKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

25 Cash generated from operations	2017	2016
	£	£
Profit for the year after tax	561,455	476,162
Adjustments for:		
Taxation charged	160,834	89,071
Finance costs	11,530	17,345
Investment income	(1,276)	(1,854)
Fair value gains and losses on foreign exchange contracts and investment properties	26,174	122,286
Depreciation and impairment of property, plant and equipment	38,951	35,028
Movements in working capital:		
(Increase) in inventories	(406,661)	(75,725)
Decrease/(increase) in trade and other receivables	316,629	(205,364)
(Decrease)/increase in trade and other payables	(1,638,383)	627,198
Cash (absorbed by)/generated from operations	<u>(930,747)</u>	<u>1,084,147</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.