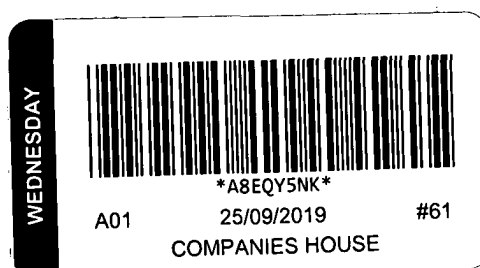


Raleigh UK Limited

**Annual report and financial
statements**

Registered number 00139076

31 December 2018



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Officers and professional advisers

Directors

P Wibberley
A H Anbeek

Secretary and registered office

S Atkins

Church Street
Eastwood
Nottingham
NG16 3HT

Auditor

KPMG LLP
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Strategic report

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

Review of business

The year ended 31 December 2018 saw a 3.1% increase in sales compared with the previous 12 months. Sales volumes of Raleigh electric bikes grew by 51% year on year and parts and accessories sales grew by 10.6%,

The loss before tax was £2,594,000 (2017: £881,000) after increased levels of Group recharges driven by the exciting Global strategic change programme.

The company's remaining pension scheme remains in surplus on an FRS 102 basis and the directors work closely with the pension trustees and scheme actuaries to regularly review and amend investment strategy to ensure scheme obligations can continue to be met.

The directors anticipate that the market place will continue to be very competitive during the coming year. Raleigh retains a solid competitive position with considerable brand strength, an independent bicycle dealer network and a strong presence on the High Street.

Liquidity risk and going concern

The company's borrowing facilities are provided by the ultimate parent company, Accell Group NV, and the directors are not aware of any reasons why appropriate facilities would not be continued to be provided by Accell Group NV to support the ongoing operations of the company. The directors have assessed the expected trading performance of the company for a period of twelve months from the date of approval of these financial statements. This has included an assessment of current market conditions, their impact on the company's future trading performance and the actions taken by management in response to the difficult market conditions. The directors are confident that the company will be able to operate within the current and expected facilities to be provided by Accell Group NV. In addition, management has considered various mitigating actions that could be taken in the event that market conditions are worse than our current assessment. Such measures include reductions in costs and working capital. On this basis, the directors believe that the company has adequate resources to continue existing operations for the foreseeable future and at least for the twelve months following the date of approval of the financial statements, and that it is appropriate to prepare the financial statements on a going concern basis.

Credit risk

The nature and extent of credit worthiness checks and restrictions applied to new customers includes, but is not restricted to, initial trading on a cash only basis, credit checks by reference to local credit agencies, obtaining references from existing suppliers and the application of credit limits. In determining the recoverability of trade receivables the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Strategic report *(continued)*

Foreign exchange risk

Most of the company's purchases are denominated in foreign currencies, predominately the US dollar and the Euro. The company follows a strategy of short term hedging via the Group treasury department to avoid exposure to cost volatility. Product pricing is adjusted periodically to retain competitiveness and to compensate for exchange rate adjustments in the currency markets. The company's financial risk management policy is focussed on foreign currency risks, while no hedging is considered to be needed in respect of interest rates. The company does not hedge account for its forward currency contracts. The bicycle market follows a seasonal pattern, with most product and component costs and selling prices fixed for the period of the season, either for the spring/summer or Christmas holiday market seasons.

By order of the board



S Atkins
Company Secretary

Dated: 20 August 2019

Directors' report

The directors present their report together with the audited financial statements for year ended 31 December 2018.

Principal activity

The company's principal activity is the sale of bicycles under the Raleigh, Haibike, Lapierre and Diamondback brands and related parts and accessories.

Results and dividends

The profit and loss account is set out on page 9 and shows the loss for the year. No dividends were paid during the period (2017: £nil).

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses foreign exchange forward contracts arranged with the Group Treasury function to hedge these exposures.

Credit risk

The Company's principal financial assets are bank balances and cash, and trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies or fellow Group companies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses borrowings made available by fellow Group companies.

Further details regarding liquidity risk can be found in the Statement of accounting policies in the financial statements.

Charitable and political donations

There were no charitable or political contributions during the period (2017: £nil).

Health and Safety

There were no fatalities or serious accidents during the year (2017: nil). The occupational health and safety of our employees is a high priority within the company and our procedures are independently audited on a regular basis by an outside agency.

Directors' report *(continued)*

Directors

The directors of the company during the period were:

J Snijders Blok	resigned 17 December 2018
P Wibberley	
AH Anbeek	appointed 23 April 2018
HH Sybesma	resigned 23 April 2018

Auditor

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

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

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

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



S Atkins
Company Secretary

Dated: 20 August 2019

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of Raleigh UK Limited

Opinion

We have audited the financial statements of Raleigh UK Limited ("the company") for the year ended 31 December 2018 which comprise the Balance Sheet, the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the valuation of tangible assets, trade receivables and inventories, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;



Independent auditor's report to the members of Raleigh UK Limited (continued)

- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Neil Calder (Senior Statutory Auditor)

*for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants*

St Nicholas House
Park Row
Nottingham
NG1 6FQ

Dated: 20 August 2019

Profit and loss account
year ended 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
Turnover	3	37,855	36,727
Net operating expenses	4	(40,311)	(37,638)
Operating loss		(2,456)	(911)
Interest payable and similar charges	9	(439)	(296)
Interest receivable and similar income	8	301	326
Loss before taxation		(2,594)	(881)
Taxation credit on loss	10	343	-
Loss after taxation		(2,251)	(881)

The notes on pages 12 to 26 form a part of these financial statements.

All amounts relate to continuing activities.

Statement of comprehensive income
for the year ended 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
Loss for the year		(2,429)	(881)
Remeasurement of net defined benefit pension	16	5,259	291
Tax charge relating to components of other comprehensive income	10	(1,868)	(319)
Other comprehensive profit/(loss)		3,391	(28)
Total comprehensive profit/(loss)		1,140	(909)

Loss for the year and total comprehensive profit/loss for the year are attributable to equity shareholders of the Company in both the year ended 31 December 2017 and the year ended 31 December 2018.

Balance sheet
as at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Tangible assets	11	660	790
Retirement benefit asset	16	17,650	13,294
		<u>18,310</u>	<u>14,084</u>
Current assets			
Stocks	12	10,929	10,843
Debtors	13	10,475	9,383
Cash at bank and in hand		467	3,696
		<u>21,871</u>	<u>23,922</u>
Creditors amounts falling due within one year	14	<u>(22,724)</u>	<u>(23,214)</u>
Net current (liabilities) /assets		<u>(853)</u>	<u>708</u>
Total assets less current liabilities		<u>17,457</u>	<u>14,792</u>
Provision for liabilities and charges	15	<u>(6,247)</u>	<u>(4,722)</u>
Net assets		<u>11,210</u>	<u>10,070</u>
Capital and reserves			
Called up share capital	17	19,000	19,000
Capital contribution reserve		23,350	23,350
Profit and loss account		(31,140)	(32,280)
Equity shareholder's funds		<u>11,210</u>	<u>10,070</u>

The notes on pages 12 to 26 form a part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 20 August 2019.

P Wibberley
Director



Company registration number: 00139076

Statement of changes in equity
as at 31 December 2018

	Called-up share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total £000
At 1 January 2017	19,000	23,350	(31,371)	10,979
Loss for the financial year	-	-	(881)	(881)
Remeasurement of net defined benefit liability	-	-	291	291
Tax relating to items of other comprehensive income	-	-	(319)	(319)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	-	(909)	(909)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	19,000	23,350	(32,280)	10,070
	<hr/>	<hr/>	<hr/>	<hr/>

	Called-up share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total £000
At 1 January 2018	19,000	23,350	(32,280)	10,070
Loss for the financial year	-	-	(2,251)	(2,251)
Remeasurement of net defined benefit liability	-	-	5,259	5,259
Tax relating to items of other comprehensive income	-	-	(1,868)	(1,868)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	-	1,140	1,140
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	19,000	23,350	(31,140)	11,210
	<hr/>	<hr/>	<hr/>	<hr/>

The notes on pages 12 to 26 form a part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year:

Raleigh UK Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 00139076 and the registered address is given on page 1.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Accell Group NV includes the Company in its consolidated financial statements. The consolidated financial statements of Accell Group NV are available to the public and may be obtained as detailed in note 22. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Accell Group NV include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1.1. Measurement basis

The financial statements are prepared on the historical cost basis.

1.2. Going concern

Notwithstanding net current liabilities of £853,000 as at 31 December 2018 and a loss for the year then ended of £2,429,000 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through its overdraft facility and funding from its ultimate parent company, Accell Group NV to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Accell Group NV not seeking repayment of the amounts currently due to the group, which at 31 December 2018 amounted to £6,137,000 and providing additional financial support as required during that period. Accell Group NV has indicated its intention to continue to support the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Notes (continued)

1 Accounting policies (continued)

1.2. Going concern (continued)

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3. Turnover

Turnover represents amounts charged to customers for goods supplied and services rendered, net of VAT, returns, sales rebates and discounts and other allowances.

Turnover is recognised when the goods have been delivered to the customer which is the point at which the significant risks and rewards are considered to have transferred to the buyer.

1.4. Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost net of depreciation. Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Plant and equipment 12.5% - 50%

1.5. Impairment of assets

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

1.6. Stocks

Stocks are stated at the lower of cost, on an average cost basis, and net realisable value. Cost includes overheads where appropriate.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving and defective items where appropriate.

Notes (continued)

1 Accounting policies (continued)

1.7. Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

1.8. Research and development

Expenditure on research and development is written off in the period in which it is incurred.

1.9. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

ii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

iii) Derivative financial instruments

The Company uses forward contracts to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

iv) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Notes (continued)

1 Accounting policies (continued)

1.10. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to defined benefit pension assets is measured using the tax rates and allowances that apply to the recovery of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current liabilities and asset on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

1.11. Leases

All leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

1.12. Pension costs

The Company's defined benefit pension plans hold assets separately from the Company. The pension cost relating to this plan is assessed in accordance with the advice of independent qualified actuaries using the projected unit credit method. Actuarial gains or losses are recognised in the statement of comprehensive income in the period in which they arise. Any past service cost is recognised immediately. The retirement benefit asset recognised in the balance sheet represents the fair value of scheme assets less the value of the defined benefit obligations. In accounting for the Company's defined benefit pension plans, it is necessary for management to make a number of estimates and assumptions each year. These include the discount rates, inflation rates and life expectancy. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. Where actual experience differs to these estimates, actuarial gains and losses are recognised directly in other comprehensive income. Refer to note 16 for details of the values of the assets and obligations and key assumptions used. Although the Company anticipates that plan surpluses will be utilised during the life of the plans to address members benefits, the Company recognises its pension surplus in full on the basis that it does not consider there to be substantive restrictions on the return of residual plan assets in the event of an winding up of the plans after all member obligations have been met.

Notes (continued)

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements and estimates in applying the Company's accounting policies

The following are the critical judgements, all of which also involve estimations, which the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Pensions

The company maintains a defined benefit pension plan for which it has recorded a pension asset at the end of the year. The pension asset is based on an actuarial assessment that requires a number of assumptions including discount rate, mortality rates and return on plan assets that may necessitate material adjustments to this asset in the future. The assumptions used are the best estimates based on historical trends and the composition of the membership. Details of the principal actuarial assumptions used in calculating the recognised asset for the defined benefit plan are given in note 15. The value of the assets may also change materially from year to year. There is a significant degree of estimation involved in predicting the ultimate benefits payable under defined benefit pension arrangements. The pension scheme liabilities are determined using actuarial valuations. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Stock provisioning

Due to the nature of stock, there is an obsolescence risk relating to bicycles and stocks of parts and accessories. Therefore in light of this risk, management are responsible for reviewing the stock holding for slow moving or obsolete stock and for assessing the required provision to take account of products which may need to be disposed of at a net realisable value which is below cost or which may not be capable of sale. The actual level of stock losses is affected by overall future demand from end customers and changes in fashion and technology.

Notes (continued)

3 Turnover

	2018 £000	2017 £000
<i>Analysis of geographical market:</i>		
United Kingdom	35,978	34,262
Rest of Europe	1,876	2,464
Rest of the World	1	1
	<u>37,855</u>	<u>36,727</u>

Turnover is wholly attributable to the principal activity.

4 Net operating expenses and auditor's remuneration

Net operating expenses comprise of:

	2018 £000	2017 £000
Cost of sales	30,011	28,474
Distribution costs	908	1,131
Administrative expenses	9,392	8,033
	<u>40,311</u>	<u>37,638</u>

Auditor's remuneration

	2018 £000	2017 £000
Audit of these financial statements	<u>48</u>	<u>52</u>

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2018 Number	2017 Number
Sales and marketing	104	121
Administration	14	14
	<u>118</u>	<u>135</u>

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
<i>Staff costs (including directors) comprising:</i>		
Wages and salaries	3,370	3,543
Social security costs	302	321
Other pension costs - defined contributions	113	91
Other pension costs - defined benefits	1,277	139
	<u>5,062</u>	<u>4,094</u>

6 Directors' remuneration

Directors' remuneration was as follows:

	2018 £000	2017 £000
Emoluments	132	185
Compensation for loss of office	-	263
Company contributions to defined contribution pension scheme	15	59
	<u>147</u>	<u>507</u>

The following numbers of directors were members of:

	2018 Number	2017 Number
Defined contribution scheme	1	2
Defined benefit pension scheme	-	2

Services provided by the overseas directors are incidental to the services they provide to other companies in the group and therefore it is not reasonable to apportion any remuneration to Raleigh UK Limited.

Notes (continued)

7 Directors' remuneration (continued)

The highest paid director is a member of the defined contribution scheme, and is not a member of the defined benefit pension scheme. The remuneration of the highest paid director was as follows:

	2018 £000	2017 £000
Emoluments	132	33
Compensation for loss of office	-	153
Company contributions to defined contribution pension scheme	15	29
	<u>147</u>	<u>215</u>

7 Interest receivable and similar income

	2018 £000	2017 £000
Bank interest	3	-
Net interest income on net defined benefit plan assets	298	326
	<u>301</u>	<u>326</u>

8 Interest payable and similar charges

	2018 £000	2017 £000
Bank interest payable	439	296
	<u>439</u>	<u>296</u>

9 Tax on loss

	2018 £000	2017 £000
<i>Corporation tax:</i>		
Current tax on loss of the year	-	-
Adjustment in respect of previous years	-	-
Deferred tax (credit) in respect of pension – recognised in profit and loss account	(343)	-
Deferred tax charge in respect of pension – recognised in other comprehensive income	1,868	319
	<u>1,525</u>	<u>319</u>

Notes (continued)

10 Tax on loss (continued)

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2018 £000	2017 £000
Loss on ordinary activities after tax	(2,251)	(881)
Total tax credit	343	-
Loss excluding taxation	(2,594)	(881)
Tax using the UK corporation tax rate of 19% (2017: 19.25%)	(493)	(170)
Non-deductible expenses	13	10
Tax exempt revenues	(63)	(146)
Change in unrecognised deferred tax assets	200	306
Total tax credit included in profit or loss	(343)	-

A reduction in the UK corporation tax rate from 19% to 18% (effective 1 April 2020) was substantively enacted on 16 March 2016 with an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax expenses accordingly. The deferred tax asset at 31 December 2018 has been calculated based on these rates.

10 Tangible fixed assets

	Plant and equipment £000
<i>Cost:</i>	
At 1 January 2018	3,524
Additions	124
Disposals	(400)
At 31 December 2018	3,248
<i>Accumulated depreciation:</i>	
At 1 January 2018	2,734
Charge for the year	254
Disposals	(400)
At 31 December 2018	2,588
<i>Net book value:</i>	
At 31 December 2018	660
At 31 December 2017	790

Notes (continued)

11 Stocks

	2018 £000	2017 £000
Finished goods and goods for resale	10,929	10,843

12 Debtors

	2018 £000	2017 £000
<i>Amounts falling due within one year:</i>		
Trade debtors	9,487	7,861
Amounts owed by group undertakings	822	1,087
Prepayments and accrued income	166	435
	<u>10,475</u>	<u>9,383</u>

The nature and extent of credit worthiness checks and restrictions applied to new customers includes, but is not restricted to, initial trading on a cash only basis, credit checks by reference to local credit agencies, obtaining references from existing suppliers and the application of credit limits.

In determining the recoverability of trade receivables the company considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the reporting date.

13 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	2,266	1,876
Amounts owed to fellow group undertakings	6,137	7,223
Taxation and social security	979	1,045
Accruals and deferred income	435	525
Derivative financial liabilities (note 19)	-	57
Bank overdraft	12,907	12,488
	<u>22,724</u>	<u>23,214</u>

All funding required by the company to continue its operations is now made available by Accell Group NV.

Notes (continued)

14 Provision for liabilities and charges

	Deferred tax £000	Insurance benefits £000	Total £000
Balance at 1 January 2017	4,333	81	4,414
Amount debited to the statement of comprehensive income	319	-	319
Amount debited to profit and loss account	-	-	-
Amount released to profit and loss account	-	(11)	(11)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	4,652	70	4,722
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2018	4,652	70	4,722
Amount debited to the statement of comprehensive income	1,868	-	1,690
Amount credited to profit and loss account	(343)	-	(165)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	6,177	70	6,247
	<hr/>	<hr/>	<hr/>

This provision is in respect of the liability for insurance benefits payable for former employees under the terms of their contracts of employment.

Deferred tax relates solely to the surplus on the defined benefit pension scheme has been calculated using the rate applicable to refunds from pension schemes of 35%.

Tax losses totalling £29,900,000 with a tax effect of £4,768,000 (2017: £27,384,000 tax losses with a tax effect of £4,655,000) may be carried forward. These losses have not been recognised as deferred tax assets as it is not certain that they will be recovered in the future. The future availability of these losses may be impacted by any changes in the company's ownership or the nature of the company's activities.

15 Pensions

The company operates both defined benefit and defined contribution schemes which provide employees with pensions in retirement and death benefits in service, the assets to fund the defined benefit liabilities being held in separate trustee administered funds.

On 1 January 2003, pensionable service ceased to accrue from that date under the defined benefit section. From 1 January 2003, the company introduced a defined contribution section of the scheme which is managed by an insurance company and contracted into the earnings related State Second Pension. The employer contribution under the defined contribution section of the scheme in the period was £113,000 (2017: £91,000).

The scheme is subject to regular actuarial valuations, which are usually carried out every three years. In the year, the actuarial valuation was carried out with an effective date of 5th April 2017.

The latest actuarial valuation of the defined benefit pension scheme was on 5 April 2017 and this has been updated to 31 December 2018 by a qualified actuary. The following major financial assumptions used by the actuary in valuing the defined benefit liabilities were set with reference to the yields available on government bonds and appropriate risk margins:

	2018 %	2017 %
Discount rate	2.60	2.30
Rate of increase in salaries	2.00	2.00
Rate of increase in pensions in payment on service after April 1997	2.60	2.60
	<hr/>	<hr/>

Notes (continued)

16 Pensions (continued)

The mortality assumptions used by the actuary in valuing the defined benefit liabilities included the following life expectancies measured in years from age 65:

	2018 years	2017 years
Retiring now Males	21.2	21.4
Females	23.2	23.4
Retiring in 20 years' time		
Males	23.1	23.6
Females	25.3	25.8

The assets of the defined benefit pension schemes were:

	Value at 2018 £000	Value at 2017 £000
Equities	15,998	19,313
Bonds	27,947	29,167
Gilts	-	4,742
Liability Driven Investment	20,242	15,773
Cash	481	450
Property	10,431	9,998
Total fair value of scheme assets	75,099	79,443

The net pension expense recognised in the company's profit and loss account is as follows:

	2018 £000	2017 £000
<i>Amount charged to operating profit:</i>		
Administrative expenses	40	139
Past service costs	1,237	-
Defined contribution costs	113	91
Total operating charge	1,390	230
<i>Net interest:</i>		
Interest income on pension scheme assets	1,776	1,996
Interest on pension scheme liabilities	(1,478)	(1,670)
Total other finance income	298	326

The changes during the year in the fair value of the assets and the present value of liabilities of the defined benefit pension schemes are as follows:

	2018 £000	2017 £000
<i>Fair value of scheme assets:</i>		
Balance at start of period	79,443	78,341
Interest income on scheme assets	1,776	1,996
Remeasurement (loss)/gain	(1,700)	2,254
Contributions paid by the company	76	439
Benefits paid	(3,991)	(3,448)
Scheme costs	(40)	(139)
Assets distributed on settlements	(465)	-
Balance at end of period	75,099	79,443

Notes (continued)

16 Pensions (continued)

	2018 £000	2017 £000
<i>Present value of scheme liabilities:</i>		
Balance at start of period	66,149	65,964
Interest cost	1,478	1,670
Remeasurement (gain) / loss	(6,959)	1,963
Benefits paid	(3,991)	(3,448)
Past service cost	1,237	-
Assets distributed on settlements	(465)	-
	<hr/>	<hr/>
Balance at end of period	57,449	66,149
	<hr/>	<hr/>

The company has agreed to contribute £nil (2017: £nil) towards the administrative expenses of the plan and to make annual contributions totalling £100,000 (2017: £100,000) plus a contribution towards the Pension Fund Protection levy estimated by management at £3,000 (2017: £3,000) each year to meet the deficit on the scheme under the Statutory Funding Objective.

The assets and liabilities of the defined benefit pension schemes is as follows:

	2018 £000	2017 £000
Fair value of scheme assets	75,099	79,443
Present value of scheme liabilities	(57,449)	(66,149)
	<hr/>	<hr/>
Surplus before deferred tax	17,650	13,294
	<hr/>	<hr/>

Deferred tax has been calculated using the rate applicable to refunds from pension schemes of 35%.

	2018 £000	2017 £000
Actual return on plan assets	76	4,346
	<hr/>	<hr/>

The history of experience gains and losses of the pension schemes reported in the statement of other comprehensive income is as follows:

	2018 £000	2017 £000
Net remeasurement - financial	(2,494)	1,963
Net remeasurement - demographic	(1,262)	-
Net remeasurement - experience	(3,203)	-
Return on assets, excluding interest	1,700	(2,254)
	<hr/>	<hr/>
Total remeasurement shown in OCI	(5,259)	(291)
	<hr/>	<hr/>

Notes (continued)

16 Pensions (continued)

If the discount rate was 0.1 percent higher (lower), the scheme liabilities would decrease by £773,000 (increase by £790,000) if all other assumptions remained unchanged.

If the inflation assumption was 0.1 percent higher (lower), the scheme liabilities would increase by £521,000 (decrease by £517,000). In this calculation all assumptions related to the inflation assumption have been appropriately adjusted, that is deferred pension and pension in payment increases. The other assumptions remain unchanged.

If life expectancies were to increase by 1 year, the scheme liabilities would increase by £2,700,000 if all other assumptions remained unchanged.

On 28 October 2018, the High Court judgement in Lloyds banking Group Pensions trustee vs Lloyds Bank PLC GMP equalisation case was published. The Lloyds case judgment has confirmed that pension schemes are required to equalise for the effects of unequal Guaranteed Minimum Pensions (GMPs) for the period since 17 May 1990. This will therefore require the equalisation of benefits earned between 17 May 1990 and 5 April 1997 (when GMPs ceased to occur). The directors have instructed the Company's actuaries to estimate the financial effect of GMP equalisation on the liabilities of the plan. A past service cost has been recorded in the current year based on summary membership data and taking a simplified approach to determine an estimate.

16 Share capital

	2018 £000	2017 £000
<i>Allotted, called up and fully paid:</i>		
19,000,000 ordinary shares of £1 each	19,000	19,000

17 Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2018 £000	2017 £000
Assets/(liabilities) measured at fair value through profit or loss	-	(57)
Assets measured at amortised cost	10,776	12,644
Liabilities measured at amortised cost	23,147	23,097

The Company's income, (expense), gains and (losses) in respect of financial instruments are summarised below:

	2018 £000	2017 £000
<i>Fair value gains and losses</i>		
On derivative financial assets not designated in an effective hedging relationship (note 18)	-	(50)

18 Derivative financial instruments

	2018 £000	2017 £000
<i>Derivatives that are not designated and effective as hedging instruments carried at fair value:</i>		
Assets/(liabilities) – forward foreign currency contracts	-	(57)

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Notes (continued)

18 Derivative financial instruments (continued)

Forward foreign currency contracts

The following table details the forward foreign currency contracts outstanding as at the year-end:

Outstanding contracts	Average contractual exchange rate		Notional value		Fair value	
	2018 Rate	2017 Rate	2018 £000	2017 £000	2018 £000	2017 £000
<i>Buy Euro's</i>						
Less than 3 months	-	1.16	-	2,132	-	150
3-6 months	-	1.16	-	2,132	-	149
<i>Buy US dollars</i>						
Less than 3 months	-	1.29	-	1,109	-	(178)
3-6 months	-	1.29	-	1,109	-	(178)
			<u>-</u>	<u>6,482</u>	<u>-</u>	<u>(57)</u>

19 Operating leases

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2018 £000	2017 £000
<i>Other</i>		
Due within one year	133	127
Due between one and five years	222	115
Due after five years	-	-
	<u>355</u>	<u>242</u>

During the year, £538,000 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £544,000).

20 Related party disclosures

In accordance with FRS 102 section 33 "Related Party Disclosures", transactions with other wholly owned group undertakings within Accell Group NV have not been disclosed in these financial statements.

21 Ultimate controlling party

The company's ultimate controlling party is Accell Group NV a company registered in the Netherlands. The company is a subsidiary of Accell Group NV. The smallest and largest group in which the results of the company are consolidated is that headed by of Accell Group NV. The consolidated financial statements can be obtained from Church Street, Eastwood, Nottingham, NG16 3HT. The registered office for Accell Group NV is P.O Box 435, 8440 AK, Industrieweg 4, 8444 AR, Heerenveen, The Netherlands.