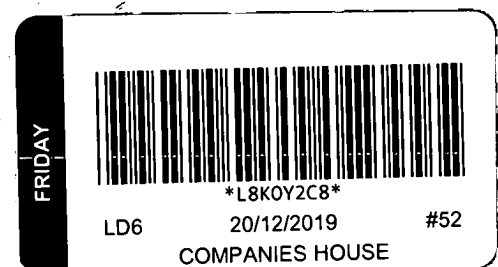


Registered number: 03382348

OUTDOOR AND CYCLE CONCEPTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



OUTDOOR AND CYCLE CONCEPTS LIMITED

COMPANY INFORMATION

Directors

M P Smith
G M Nieuwenhuys (Resigned 7 April 2019)
J R Finch Castro (Appointed 1 April 2019)

Company secretary

M P Smith

Registered number

03382348

Registered office

Unit 11
Kemble Business Park
Crudwell
Malmesbury
Wiltshire
SN16 9SH

Independent auditor

Deloitte LLP
Abbots House
Abbey Street
Reading
Berkshire
RG1 3BD

Bankers

Lloyds TSB Bank
Pendeford Business Park
Wobaston Road
Wolverhampton
WV9 5HA

Solicitors

Osborne Clarke
Apex Plaza
Forbury Road
Reading
RG1 1AX

OUTDOOR AND CYCLE CONCEPTS LIMITED

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present the Strategic Report of Outdoor and Cycle Concepts Limited (the "Company") for the year ended 31 December 2018.

Business review

The principal activity of the company during the year was the retailing of outdoor pursuits clothing and equipment through physical stores, on-line and via mail order/call centre. The business comprises four fascia (Cotswold Outdoor, Snow and Rock, Runners Need and Cycle Surgery).

With an overall challenging retail landscape in the UK, caused by a variety of reasons including macro-economic conditions and direct competition applying a discount led strategy, total revenue fell by 5% to £187.4m (2017 £197.3m). Cotswold Outdoor, the largest fascia within the Company traded down on a "like for like"¹ ("LFL") store basis during the year by 6.0%. Whereas, the Snow and Rock Group fascia saw a decrease of 2.5%. During the year, two new Cotswold Outdoor / Runners Need dual stores (Leicester and Rushden Lakes) were opened. On the other hand, due to challenging trade and pressure on property costs, two stores were closed during the year.

During the year, the final stage of integration following the acquisition of Snow + Rock Group has been carried out by the integration of the two head office locations of Kemble and Guildford. This has positioned Kemble as the primary location (Basecamp) for the business, with all warehousing in this location and the majority of head office functions. This integration brought a number of challenges with it, ultimately resulting in a large scale disruption from not only an operational perspective, but also impacting E-Commerce and stores with delays to customer orders and store stock levels, ultimately resulting in significant additional costs and also lost sales due to higher cancellation levels of customer orders with the delays experienced.

Financial key performance indicators

The company defined its key performance indicators as:

- Like-for-like¹ sales growth in each of its business channels;
- Company turnover growth;
- EBITDA (earnings before interest, tax, depreciation and amortisation); and
- Adjusted REBITDA (EBITDA before pre-opening costs and exceptional items). This is after adjusting for one-off costs and therefore it provides a measurement of recurring operating results.

Operating results 2018

Despite a challenging trading environment revenue performance combined across all fascia declined by 5.0% in total, and a LFL decline of 4.9%. Online sales penetration has increased by 1.4% to 19.2% of total revenue.

Cotswold Outdoor turnover has declined by 5.5% and 6.0% on a LFL basis. Total Revenue included two new Cotswold Outdoor stores being opened during the year (Leicester and Rushden Lakes); but this was partially offset by the close of 2 existing stores.

The results of the Snow and Rock Group have declined by 4.2%, with LFL growth coming from Snow + Rock being 2.5%; of which e-commerce saw a growth of 11.4%.

Gross margin percentage has reduced by 1.7% to 42.4% in 2018 (2017:44.1%). This reduction has been driven by increased levels of discounting due to the competitive landscape across the UK retail sector with competitors entering sale periods earlier and deeper discounts being applied

¹ like-for-like sales are defined as sales from stores that have been trading continuously from the same space for at least a year and includes online sales

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

Operating results 2018 (continued).

Overall distribution and administrative expenses reduced by £0.8m representing 46.9% of revenue, an increase of 2.0% compared to prior year. Distribution expenses have been increased by 1.5% and administrative expenses reduced by 3.9%.

As a result, the Adjusted REBITDA ended in 2018 at a £1.4m Loss, compared to £7.1m Profit in 2017. Adjusted REBITDA is calculated as follows:

	2018 £000	2017 £000
Operating loss	(14,293)	(1,245)
<i>Add back:</i>		
Depreciation and amortization	5,711	6,450
EBITDA	(8,582)	5,205
Finance costs**	178	514
Preopening expenses	216	518
Exceptional costs	6,766	875
Adjusted REBITDA	(1,422)	7,112

** Foreign Exchange, bank charges and similar charges

Principal risks and uncertainties

As an omni-channel retailer, the company is relatively vulnerable to macro-economic circumstances in the UK. With 'Brexit' looming ahead, and the high level of uncertainty which accompanies this, consumer confidence has been negatively impacted with a "self-imposed austerity" among consumers and pessimism about the economy in the lead up to 'Brexit'.

Consumer buying behaviour is moving towards internet shopping due to wider choice coupled with faster delivery times. Although this poses a potential long term threat to the retail business, it provides opportunity to the business as a whole. The Company continues to be focused on enhancing both online and instore experience, in order to provide the optimum service to our customers, and ensure our customers enjoy the great outdoors with equipment that is fit for purpose.

Property costs such as rent, rates and service charges have remained at high levels with a decline in revenue. The stores are an integral part of the business as they offer click and collect opportunities and also supply a facility for online returns. The future focus will be to manage store costs and efficiencies to ensure the costs decline to compensate for the decrease in sales. When leases come up for renewal, reviews will take place to ensure effective renegotiation of terms or alternatively relocation or closure of stores if deemed necessary.

Acknowledging the dynamic nature of our business environment, the Company intends to mitigate the relevant risks. However, circumstances can be unpredictable in which risks can materialise, having an impact on the Company's results. For strategic, operational, compliance and financial risks, the risk appetite is low and comparable to last year. The Company adapts its risk management in a pragmatic and workable manner. The risks are managed by our strategy, control environment, budgeting / forecasting and policies. Within the company cost control and tight monitoring between incoming and outgoing cash flows are key focus areas.

Finally, long-standing relationships with our main suppliers have proven to be powerful tools to reduce the impact of these strategic risks.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

Future developments

In light of the significant challenges that the UK retail environment has experienced over the last 2 years which have been driven significantly by rising costs of Property and Labour, compounded by economic uncertainty from Brexit, the business has undertaken a Company Voluntary Arrangement (CVA) in May 2019. The CVA was successfully launched and passed the period of legal challenge on 10th June 2019.

The purpose of the CVA has been to conduct a review of the store portfolio, with specific focus on exiting leases for stores which are not profitable and do not contribute to the overall profitability of the UK business and the exit of the leases for the previous warehouse and head office facilities of Snow and Rock Group which were in Guildford. This has resulted in a number of store closures immediately taking effect

Alongside the CVA, the business has developed a turnaround plan, which focuses on the following key factors:

- a) management changes, including a new (i) MD, (ii) head of buying and merchandising, (iii) head of marketing (iv) head of E-Commerce and (v) retail director;
- b) optimization of processes around (i) logistics and warehousing, (ii) marketing and (iii) retail operations;
- c) simplification and cost reduction across the business, both in head office, distribution and retail stores and the delivery of a simplified operating model covering enhanced stock management, allocation and distribution;
- d) focus on online channel while reducing operational costs and increasing profit margins;
- e) implementing significant head office cost reduction and improving retail management cost savings; and
- f) enhancement of the loyalty scheme in the UK

This report was approved by the board on 13 December 2019 and signed on its behalf.



M P Smith
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The Directors present their annual report and the audited financial statements of Outdoors and Cycle Concepts limited (the "Company") for the year ended 31 December 2018.

Principal activities

The principal activity of the company during the year was the retailing of outdoor pursuits clothing and equipment through physical stores, on-line and via mail order/call center. The business comprises four fascia (Cotswold Outdoor, Snow and Rock, Runners Need and Cycle Surgery).

Matters covered in the strategic report

Future developments are discussed in the strategic report on pages 1 to 3.

Results for the year

The results for the year are shown within the statement of comprehensive income on page 11. The loss for the year, after taxation, amounted to £17,885,000 (2017: £6,769,000 Loss).

Dividends

The directors do not propose the payment of a dividend (2017: £nil).

Financial risk management

The Company uses various financial instruments which include third party bank loans and intergroup loan facilities, plus cash that arises directly from its operations, in order to raise finance to fund the company's operations.

The main risks arising from the Company's financial instruments are currency risk, cash flow interest rate risk, credit risk and liquidity risk. No transactions of a speculative nature are undertaken. The Directors review and agree policies for minimising each of these risks and they are summarised below.

Currency risk

The Company has a low level of exposure to translation and transaction foreign exchange risk. Transactions with the parent company are denominated in sterling. Foreign exchange differences on retranslation of foreign currency assets and liabilities are taken to the Income Statement. In order to mitigate foreign currency risks, the company will enter into foreign currency cash flow hedge arrangements, however, at the year end no such arrangements were in place.

Cash flow interest rate risk

Due to its borrowings, the Company is exposed to a cash flow risk resulting from the variable portion of the interest (LIBOR). The Company has an interest policy aimed at reducing volatility in its interest expense. In order to mitigate the risks of interest rate fluctuations, the company will enter into interest rate swap hedge arrangements, however, at the year end no such arrangements were in place

Credit risk

The Company's financial assets include trade debtors. In order to manage credit risk the Directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

Liquidity risk

The Company manages its financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved by a combination of overdraft facilities and short-term loans.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Employee involvement

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company.

During the year, the policy of providing employees with information about the Company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the Company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. There is a performance related bonus scheme for management based on their performance as well as the overall performance of the Company.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Environment

The Company recognises its responsibilities towards the management of the impact of the business on the environment. Our customers' outdoor activities using the products we sell demand that we adopt a proactive stance to the sustainability of the environment for all outdoor users.

The Board continues to review all the major areas where positive action can be taken to reduce the impact of the Company's activities on the environment. The review includes the actions required to achieve carbon neutrality and our plans for achieving that aim. Included in the review are energy, transport, waste and packaging. We aim to continue to make substantial progress over the course of the year.

Paper and other waste recycling is already undertaken at our stores and head-office. Our staff are encouraged to participate in recycling and to provide ideas where the Company could reduce any potential impacts on the environment.

Directors

The Directors who served during the year and up to the date of approval of these financial statements, unless otherwise stated, were:

M P Smith	
G M Nieuwenhuys	(Resigned 7 April 2019)
J R Finch Castro	(Appointed 1 April 2019)

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Director's and Officers' liability insurance in respect of itself and the wider group.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Going Concern

2018 has been a challenging year for the UK retail sector with a number of high profile business failures. The Company and the wider AS Adventure Group has not been immune to this trend, with the Company experiencing pressures on sales, while business costs continue to increase. The trend has resulted in the company reporting increased net liabilities of £42,246,000 (2017: £24,361,000) as a result of the loss experienced in the year.

In order to provide ongoing working capital funding, the Company is a named party in a group wide loan facility operated by its intermediate parent undertaking AS Adventure Holdings B.V. (Senior Finance Arrangement). As at 31 December 2018 and through to July 2019, due to the business conditions experienced by the UK and German entities within the wider AS Adventure Group, the facility was subject to ongoing renegotiations, and as a result of the terms of the existing arrangement, the existing drawn down amount was considered repayable on demand until the negotiations were concluded. As a result, as at 31 December 2018, all amounts associated with the group loan facility have been presented within the Statement of Financial Position as current liabilities within *'Creditors: amounts payable within one year'*.

As noted in the post balance sheet events section below, the facility was subsequently renegotiated in August 2019, which secured the long term funding for the group. As part of the renegotiation, the ultimate shareholder contributed a further €15m to the wider group, which provides additional financial strength to the group as a whole.

The Senior Finance Agreement includes a revolving credit facility ("RCF") of €45m which is available to the wider group. As at the year end, €32.7m has been drawn down, of which £10.1m is attributable to the UK entity and the amount attributable to the UK entity is renewable every 30 days at a revised interest rates. The RCF facility is available until 14 April 2021 and it is anticipated that the company will continually renew the facility every 30 days over its term.

At the beginning of 2019 there was no immediate prospect that the external factors weighing on the UK operations would change, forcing a strategic review of the business. This strategic review of the business identified that a material restructure would improve the financial situation, stability and sustainability of the business. This resulted in a turnaround plan being drafted, including management changes, cost reductions, process changes and a simplified operating model. A significant element of this plan was to launch a Company Voluntary Arrangement (CVA) with the aim to restore profitability across the store portfolio and reduce the cost base of certain stores. Alongside property cost reductions, Intercompany Creditors amounting to £71 million, held by the business, were compromised to 1% of their value, showing the ongoing support from the Parent undertaking and significantly strengthening the Balance Sheet of the business. The CVA was approved by Creditors on 13 May 2019.

The CVA and the renegotiation of the group Senior Finance Arrangement has helped secure the future of the UK business, however the UK company continues to be dependent on its intermediate parent undertaking, AS Adventure Holdings B.V., for funds to support its working capital management from time to time.

AS Adventure Holdings B.V. has confirmed that, for at least 12 months from the date of approval of these financial statements, it will continue to make funds available to the company, however this will be limited to a maximum facility of £4 million (of which £0.5 million has been drawn down at the date of signing). AS Adventure Holdings BV has confirmed that it will not seek any early or unscheduled repayment of amounts advanced to the company, or additional distributions from the company, except where the Company is performing ahead of its current cash flow forecast and the repayment would not impair the Company's forecast ability to fund its operations over the going concern period.

The directors have reviewed the company's forecasts and considered the timing of cash outflows in order to conclude that the £4 million facility will enable the Company to fund cash outflows during the annual business cycle and thus enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Based on the above events, and future forecasts for the UK business, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Impact of Brexit

Brexit uncertainty continues to provide a challenging environment for the business to operate within. The main impact being that of consumer confidence. Having carried out research, the business believes that it faces a limited risk to Brexit with regards to the labour market and is well placed with suppliers for movement of goods. Like many companies in the retail sector, the Company's suppliers manufacture their products overseas and therefore the pricing of goods may fluctuate as a result of adverse movements in foreign exchange rates which may result from Brexit. The Company will continue to engage with suppliers on pricing strategies in order to mitigate any adverse effects.

Post balance sheet events

On 13 May 2019, a Company Voluntary Arrangement (CVA) was successfully launched and approved by the creditors of the business and subsequently receiving no legal challenge.

The objective of the CVA in conjunction with a turnaround plan is to restore the viability of the business through a combination of:

- a) achieving rent reductions in line with market rental prices across a number of stores that were unviable at current levels;
- b) exiting a number of stores that cannot be made viable even with rent reductions
- c) achieving reductions in Business Rates across certain stores during the Rates Concession Period;
- d) the release or reduction of certain guarantees given by Compromised Lease Guarantors in relation to the business's obligations under the Guaranteed Compromised Leases;
- e) compromising other Specific Liabilities, including the Intragroup Creditors and the business's HMRC VAT Liability; and moving to monthly rents (rather than quarterly) across the portfolio, to assist with cash flow.

In August 2019 the ultimate parent undertaking, AS Adventure Coöperatief U.A., secured an agreement with the external lenders to the group, regarding the renegotiation of the terms associated with the group wide Senior Finance arrangement. The financial covenants and certain other terms of the agreement were adjusted to reflect the expected future performance of the group and allow the group to better manage working capital movements. As part of the overall agreement with the lenders, the main shareholders of the Group will inject €15million of funds into the business in the third quarter of 2019 in order to provide the group with additional liquidity headroom to finance working capital peaks.

Disclosure of information to auditors

Each of the persons who are Directors at the date of approval of this report has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

OUTDOOR AND CYCLE CONCEPTS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

This report was approved by the board on 13 December 2019 and signed on its behalf.



M P Smith
Director

**DIRECTORS' RESPONSIBILITY STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the financial statements, the directors are required to:

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OUTDOOR AND CYCLE CONCEPTS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Outdoor and Cycle Concepts Limited (the 'company'):

- 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 United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 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.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

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 respect of these matters.

OUTDOOR AND CYCLE CONCEPTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OUTDOOR AND CYCLE CONCEPTS LIMITED (Continued)

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

OUTDOOR AND CYCLE CONCEPTS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OUTDOOR AND CYCLE CONCEPTS LIMITED
(continued)**

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.



Sonya Butters FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Reading, United Kingdom

13 December 2019

OUTDOOR AND CYCLE CONCEPTS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Turnover	4	187,375	197,327
Cost of sales		(107,956)	(110,209)
Gross profit		79,419	87,118
Distribution costs		(66,697)	(66,594)
Administrative expenses		(27,995)	(22,967)
Exceptional costs included within administrative expenses	13	(6,766)	(874)
Other operating income	5	980	1,198
Adjusted REBITDA	1	(1,422)	7,112
Less: Depreciation and amortisation		(5,711)	(6,450)
Less: Exceptional costs	13	(6,766)	(875)
Less: Finance Costs		(178)	(514)
Less: Preopening expenses		(216)	(518)
Operating loss		(14,293)	(1,245)
Other Interest receivable and similar income	10	10	2
Interest payable and similar expenses	11	(5,867)	(5,489)
Loss before taxation		(20,150)	(6,732)
Tax on Loss	12	2,265	(37)
Loss for the financial year		(17,885)	(6,769)
Other comprehensive income for the year			
Gain on fair value of derivative financial instrument		-	126
Total comprehensive loss for the year		(17,885)	(6,643)

All of the amounts included in the above statement of comprehensive income are derived from continuing operations. 100% of the profit for the year is attributable to the equity shareholders of the company

The notes on pages 15 to 34 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	14	20,453	22,063
Tangible assets	15	17,091	20,837
Investments	16	20,094	20,094
		<u>57,638</u>	<u>62,994</u>
Current assets			
Stocks	17	50,212	47,366
Debtors: amounts falling due within one year	18	5,877	6,157
Cash at bank and in hand	19	7,252	7,164
		<u>63,341</u>	<u>60,687</u>
Creditors: amounts falling due within one year	20	(137,365)	(82,383)
Net current liabilities		<u>(74,024)</u>	<u>(21,696)</u>
Total assets less current liabilities		<u>(16,386)</u>	<u>41,298</u>
Creditors: amounts falling due after more than one year	21	(22,276)	(62,276)
Provisions for liabilities	22	(3,584)	(3,383)
Net liabilities		<u>(42,246)</u>	<u>(24,361)</u>
Capital and reserves			
Called up share capital	23	3,626	3,626
Reserves		(45,872)	(27,987)
		<u>(42,246)</u>	<u>(24,361)</u>

The financial statements of Outdoor and Cycle Concepts Limited, registration number 03382348, were approved and authorised for issue by the board on 13 December 2019 and were signed on its behalf



M P Smith
Director

The notes on pages 15 to 34 form part of these financial statements.

OUTDOOR AND CYCLE CONCEPTS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £000	Profit and loss account £000	Total £000
At 1 January 2017	3,626	(21,344)	(17,718)
Loss for the financial year	-	(6,769)	(6,769)
Gain on fair value of derivative financial instrument	-	126	126
Total comprehensive loss	-	(6,643)	(6,643)
At 31 December 2017	3,626	(27,987)	(24,361)
Loss for the financial year	-	(17,885)	(17,885)
Total comprehensive loss	-	(17,885)	(17,885)
At 31 December 2018	3,626	(45,872)	(42,246)

The notes on pages 15 to 34 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. General information and basis of accounting

Outdoor and Cycle Concepts Limited (the "Company"), is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales.

The Company's registered office is Unit 11, Kemble Business Park, Crudwell, Malmesbury, Wiltshire, England, SN16 9SH.

The principal activities of the Company and the nature of the Company's operations are set out in the strategic report on page 1.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006. These financial statements have been prepared on the going concern basis in accordance with applicable UK accounting and financial reporting standards and the Companies Act 2006.

The Company's functional and presentational currency is GBP. The financial statements are presented in GBP and rounded to the nearest thousand unless otherwise stated.

The company has taken advantage of the exemption permitted by section 400 of the Companies Act 2006 and not produced consolidated financial statements. As at 31 December 2018, the Company was itself a wholly owned subsidiary of Retail Concepts N.V and its ultimate parent company AS Adventure Coöperatief U.A. whose consolidated financial statements are publicly available from Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands. The financial statements therefore present information about the company as an individual undertaking and not about its group.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

The information required in relation the above sections is included in the consolidated financial statements of AS Adventure Coöperatief U.A. as at 31 December 2018 and these financial statements may be obtained from Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands.

Going concern

The financial statements have been prepared on the going concern basis notwithstanding net liabilities of £42,246,000 (2017: £24,361,000), as the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future following the events since 31 December 2018 described below, and an examination of future forecasts for the UK business.

In order to provide ongoing working capital funding, the Company is a named party in a group wide loan facility operated by its parent undertaking AS Adventure Holdings B.V. (Senior Finance Arrangement). As at 31 December 2018, due to the business conditions experienced by the UK and German entities within the wider AS Adventure Group, the facility was subject to ongoing renegotiations, and as a result of the terms of the existing arrangement, the existing drawn down amount was considered repayable on demand until the negotiations were concluded. As a result, as at 31 December 2018, all amounts associated with the group loan facility have been presented within the Statement of Financial Position as current liabilities within '*Creditors: amounts payable within one year*'.

As noted in the post balance sheet events section (note 29), the facility was subsequently renegotiated in August 2019, which secured the long term funding for the group. As part of the renegotiation the ultimate shareholder contributed a further €15m to the wider group, which provides additional financial strength to the group as a whole.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. General information and basis of accounting (continued)

Going concern (continued)

As disclosed in note 20, the Senior Finance Agreement includes a revolving credit facility ("RCF") of €45m which is available to the wider group. As at the year end, €32.7m has been drawn down, of which £10.1m is attributable to the UK entity and the amount attributable to the UK entity is renewable every 30 days at a revised interest rates. The RCF facility is available until 14 April 2021 and it is anticipated that the company will continually renew the facility every 30 days over its term.

At the beginning of 2019 there was no immediate prospect that the external factors weighing on the UK operations would change, forcing a strategic review of the business. The strategic review of the business identified that a material restructure would improve the financial situation and stability and sustainability of the business. This resulted in a turnaround plan being drafted, including management changes, cost reductions, process changes and a simplified operating model. A significant element of this plan was to launch a Company Voluntary Arrangement (CVA) with the aim to restore profitability across the store portfolio and reduce the cost base of certain stores. Alongside property cost reductions, Intercompany Creditors amounting to £71 million, held by the business, were compromised to 1% of their value, showing the ongoing support from the Parent undertaking and significantly strengthening the Balance Sheet of the business. The CVA was approved by Creditors on 13 May 2019.

The CVA and the renegotiation of the group Senior Finance Arrangement has helped secure the future of the UK business, however the UK company continues to be dependent on its intermediate parent undertaking, AS Adventure Holdings B.V., for funds to support its working capital management from time to time.

AS Adventure Holdings B.V. has confirmed that, for at least 12 months from the date of approval of these financial statements, it will continue to make funds available to the company, however this will be limited to a maximum facility of £4 million (of which £0.5 million has been drawn down at the date of signing). AS Adventure Holdings BV has confirmed that it will not seek any early or unscheduled repayment of amounts advanced to the company, or additional distributions from the company, except where the Company is performing ahead of its current cash flow forecast and the repayment would not impair the Company's forecast ability to fund its operations over the going concern period.

The directors have reviewed the company's forecasts and considered the timing of cash outflows in order to conclude that the £4 million facility will enable the Company to fund cash outflows during the annual business cycle and thus enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Based on the above events, and future forecasts for the UK business, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

2. Accounting policies

2.1 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Turnover is recognized on delivery of finished goods to the end customer.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.1 Turnover (continued)

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- i. the Company has transferred the significant risks and rewards of ownership to the buyer;
- ii. the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- iii. the amount of turnover can be measured reliably;
- iv. it is probable that the Company will receive the consideration due under the transaction; and
- v. the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.2 Intangible assets

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life which is considered to be 20 years.

The brand name intangible has been recognised at fair value to the extent it is probable that the expected future economic benefits attributable to the asset will flow to the Company and that its cost can be measured reliably. The intangible has been valued based on discounted future net cash flows. The cost of the asset is amortised through the statement of comprehensive income on a straight line basis over its estimated economic life of 15 years.

Provision is made for impairment of intangible assets and goodwill where the carrying value of the asset is not supported by the expected future benefits expected to be generated from the CGU to which the asset is allocated

2.3 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Leasehold improvements	- Over the term of the lease
Fixtures and fitting	- 2 to 5 years
Computer Equipment	- 3 years
Assets in the course of construction	- Not depreciated

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****2. Accounting policies (continued)****2.4 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2.5 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.8 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.10 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.11 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.12 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period of the lease term.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.13 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.14 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.15 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****2. Accounting policies (continued)****2.17 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- i. The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- ii. Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.18 Exceptional costs

Exceptional costs are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.19 Non-statutory reporting measures – EBITDA and Adjusted REBITDA

The directors monitor the performance of the company utilising both statutory and non-statutory performance measures. The main non-statutory performance measures are EBITDA (earnings before interest, tax, depreciation and amortisation) and Adjusted REBITDA (EBITDA before pre-opening costs and exceptional items). This is calculated utilising operating loss, and adding back depreciation, amortization, exceptional items and certain one off costs (pre-opening cost and finance costs (bank charges, foreign exchange revaluation gains/losses and similar charges)) which the directors have determined do not represent on-going operating costs of the business. The REBITDA non-statutory performance measure is designed to provide an indication of the "trading" performance of the company and therefore this has been disclosed along with the statement of comprehensive income.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. Judgments in applying accounting policies and key sources of estimation uncertainty (continued)

Critical judgements in applying the Company's accounting policies

No significant judgements have been made by management in preparing these financial statements.

Key sources of estimation uncertainty

The following are the critical estimates that 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.

Impairment Review

The recoverable amount of the Snow & Rock cash generating unit is determined based on fair value less costs to sell calculations. These calculations use cash flow projections covering a 5 year period and are based on budgets approved by management. Cash flows beyond this period are extrapolated using estimated growth rate that do not exceed the long-term average growth rate for the retail trade business in which the cash-generating unit operates and is consistent with forecasts included in industry reports. Approximately 11% was used to discount the projected cash flows, which reflects specific risks relating to the Company and relevant cash generating unit. The main assumptions for the cash flow projections are a like-for-like cumulative aggregate growth rate over the period of 5 years up to 2021 of 4.7% (incl online), opening one new store per year and an inflation rate at 3% per annum. The impact of the Brexit is considered to be limited.

Stock provisioning

Stock is included in the Statement of Financial Position at the lower of cost and net realizable value. The assessment of net realisable value for old and obsolete stock requires the use of estimates and future changes to the assumptions used would results in different effects on the Statement of Comprehensive Income and Statement of Financial Position. The directors consider historic sales trends, market conditions and seasonality of inventory when developing the stock provisions however there remains a significant judgement in considering future customer activity.

Onerous lease provisioning

Onerous leases have been provided for where unavoidable lease costs will not be recovered from future cash flows from trading a store. These calculations use cash flow projections covering the period of an individual store lease, and are based on budgets approved by management. The cash flow projections include certain assumptions associated with sales growth rates and expense movements which involve significant management judgement.

4. Turnover

The whole of the turnover is attributable to the Company's principal activity.

Analysis of turnover by region of destination:

	2018	2017
	£000	£000
United Kingdom	182,208	191,971
Rest of Europe	3,791	3,953
Rest of World	1,376	1,403
	<u>187,375</u>	<u>191,327</u>

OUTDOOR AND CYCLE CONCEPTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

5. Other operating income

	2018	2017
	£000	£000
Rental income and incentives	577	546
Other operating income	403	652
	<u>980</u>	<u>1,198</u>

Other operating income represents amount received in relation to contributions from suppliers to support in-store product placement, recycling revenues and amounts recognised from lapsed customer giftcards.

6. Operating loss

The operating loss is stated after charging/(crediting):

	2018	2017
	£000	£000
Depreciation of tangible fixed assets	4,101	4,787
Amortisation of intangible assets, including goodwill	1,610	1,663
Exchange differences	2	328
Other operating lease rentals	17,634	17,504
(Credit)/charge to debtor provision	(42)	30
(Profit)/Loss on sale of fixed asset	(1)	457
Inventory usage included in cost of sales	<u>105,899</u>	<u>109,122</u>

7. Auditor remuneration

	2018	2017
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	85	66
Fees payable to the Company's auditor in relation to other services		
Other services relating to taxation	-	20
	<u>85</u>	<u>86</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

8. Employees

Staff costs, including Directors' remuneration, were as follows:

	2018	2017
	£000	£000
Wages and salaries	28,989	28,834
Social security costs	1,956	2,077
Other pension costs	390	320
	<u>31,335</u>	<u>31,231</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2018	2017
	No.	No.
Selling and distribution	1,825	1,838
Administration	246	186
	<u>2,071</u>	<u>2,024</u>

9. Directors' remuneration

	2018	2017
	£000	£000
Directors' emoluments	370	390
Company contribution to defined contribution pension schemes	21	19
	<u>391</u>	<u>409</u>

During the year retirement benefits were accruing to 2 Directors (2017 : 2) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £246,458 (2017: £279,894).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £19,250 (2017: £16,749).

10. Other interest receivable and similar income

	2018	2017
	£000	£000
Other interest receivable	<u>10</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

11. Interest payable and similar charges

	2018 £000	2017 £000
Bank interest payable	2,701	2,601
Other loan interest payable	141	141
Loans from group undertakings	3,025	2,747
	<u>5,867</u>	<u>5,489</u>

12. Taxation

	2018 £000	2017 £000
Corporation tax		
Current tax on loss for the year	-	315
Adjustment in respect of prior period	(363)	(3)
Total current tax	<u>(363)</u>	<u>312</u>
Deferred tax		
Current period credit	(1,645)	(433)
Adjustment in respect of previous periods	(257)	168
Total deferred tax	<u>(1,902)</u>	<u>(275)</u>
Tax on loss	<u>(2,265)</u>	<u>37</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
Loss on ordinary activities before tax	(20,150)	(6,732)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(3,828)	(1,296)
Effects of:		
Adjustments to tax charge in respect of prior periods	(620)	165
Non-deductible expenses	1,936	1,109
Deferred tax recognition	247	59
Total tax charge for the year	<u>(2,265)</u>	<u>37</u>

Factors that may affect future tax charges

The 2016 Budget Statement announced changes to the UK Corporation tax regime which will reduce the main rate of corporation tax to 17% from 1 April 2020. These changes have been substantively enacted at the balance sheet date and deferred tax has been measured at these substantively enacted rates.

OUTDOOR AND CYCLE CONCEPTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13. Exceptional costs

	2018 £000	2017 £000
Onerous lease charge	2,134	-
Impairment of tangible assets	1,842	-
Reorganisation expenses	2,790	874
	<u>6,766</u>	<u>874</u>

As at 31 December 2018, the company has made provisions for onerous leases, and has impaired the leasehold assets, associated with certain loss making stores, where the stores have reported adverse results and there is an expectation that these will continue for the remainder of the lease term.

Reorganisation costs relate to store closure costs of £1,020K (2017:£874K) and £1,770K of costs associated with the closures and integration of the former Snow + Rock head office and warehousing facilities with those which already operated within the Company. The store closure costs have been considered exceptional in nature, as these arise infrequently and are not considered to be part of the day to day operations.

14. Intangible assets

	Goodwill £000	Brand Name £000	Total £000
Cost			
At 1 January 2018	55,271	19,749	75,020
At 31 December 2018	<u>55,271</u>	<u>19,749</u>	<u>75,020</u>
Accumulated Amortisation and impairment			
At 1 January 2018	50,105	2,852	52,957
Charge for the year	293	1,317	1,610
At 31 December 2018	<u>50,398</u>	<u>4,169</u>	<u>54,567</u>
Net book value			
At 31 December 2018	<u>4,873</u>	<u>15,580</u>	<u>20,453</u>
At 31 December 2017	<u>5,166</u>	<u>16,897</u>	<u>22,063</u>

OUTDOOR AND CYCLE CONCEPTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. Tangible fixed assets

	Leasehold improvements £000	Fixtures and fittings £000	Computer equipment £000	Assets in the course of construction £000	Total £000
Cost or valuation					
At 1 January 2018	41,777	25,296	6,641	255	73,969
Additions	1,340	1,552	118	205	3,215
Disposals	(2,610)	(270)	(637)	(1)	(3,518)
Transfers between classes	-	17	384	(401)	-
At 31 December 2018	40,507	26,595	6,506	58	73,666
Depreciation					
At 1 January 2018	25,504	21,578	6,050	-	53,132
Charge for the period	2,371	1,334	396	-	4,101
Disposals	(1,926)	(211)	(363)	-	(2,500)
Impairment	1,599	234	9	-	1,842
At 31 December 2018	27,548	22,935	6,092	-	56,575
Net book value					
At 31 December 2018	12,959	3,660	414	58	17,091
At 31 December 2017	16,273	3,718	591	255	20,837

As at 31 December 2018, the company has reviewed the carrying value of store assets in comparison to forecasted future cash flows for the store portfolio. Where the present value of expected future cash flows does not exceed the carrying value of the assets associated with a store, an impairment has been recognized.

OUTDOOR AND CYCLE CONCEPTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

16. Investments

Investments
in subsidiary
companies
£000

Cost or valuation

At 1 January 2018 and 31 December 2018

20,094

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of Shares	Holding	Principal activity
Cotswold Camping Limited	England	Ordinary	100%	Dormant
AS Adventure (UK) Limited	England	Ordinary	100%	Dormant
Snow + Rock Group Holdings Limited	England	Ordinary	100%	Dormant
Snow + Rock Group Limited	England	Ordinary	100%	Dormant
Snow & Rock Sports Limited	England	Ordinary	100%	Dormant
Snow & Rock Limited	England	Ordinary	100%	Dormant
Runners Need Limited	England	Ordinary	100%	Dormant
Cycle Surgery Limited	England	Ordinary	100%	Dormant

The registered addresses of the above companies is Unit 11 Kemble Business Park, Crudwell, Malmesbury, Wiltshire, SN16 9SH

17. Stocks

	2018 £000	2017 £000
Goods for resale	49,832	47,346
Non-trading stock	380	20
	<u>50,212</u>	<u>47,366</u>

18. Debtors: amounts falling due within one year

	2018 £000	2017 £000
Trade debtors	493	222
Amounts owed by group undertakings	-	623
Other debtors	479	1,369
Prepayments and accrued income	4,905	3,943
	<u>5,877</u>	<u>6,157</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

19. Cash at bank and in hand

	2018 £000	2017 £000
Cash at bank and in hand	7,252	7,164
	<u>7,252</u>	<u>7,164</u>

20. Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	23,638	16,922
Amounts owed to group undertakings	48,110	40,097
Taxation and social security	3,535	4,035
Other creditors	2,325	2,490
Bank loans - Revolving Facility	10,135	8,500
Bank Loans	40,000	-
Accruals and deferred income	9,622	10,339
	<u>137,365</u>	<u>82,383</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand. As disclosed in note 29, subsequent to the year end, £71m of total amounts payable to the group undertakings were compromised to 1% of their value as part of a Creditor Voluntary Arrangement

Financial instruments included above are measured at amortised cost.

Bank loans represent a £40m facility is part of a wider group Senior Finance Agreement operated by the Company's intermediate parent undertaking AS Adventure Holdings B.V. The facility was fully drawn-down at the year end. Interest accrues at 5.58% and the loan is secured against assets across the Group. The facility is repayable on 14 April 2022. As at 31 December 2018, due to the business conditions experienced by the wider group (see note 1, going concern), the facility was subject to ongoing renegotiations, and as a result of the terms of the existing arrangement, the existing drawn down amount was considered repayable on demand until the negotiations were concluded. As a result, as at 31 December 2018, all amounts associated with the group's Senior Finance Agreement have been presented within the Statement of Financial Position as current liabilities within '*Creditors: amounts payable within one year*'.

Included within the Senior Finance Agreement is a revolving credit facility ("RCF") of €45m which is available to the wider group. As at the year end, €32.7m has been drawn down, of which £10.1m is attributable to the UK entity. The RCF facility has attracted an effective interest rate of 4.89%, and the amount attributable to the UK entity is renewable every 30 days at a revised interest rate. The RCF facility is available until 14 April 2021.

OUTDOOR AND CYCLE CONCEPTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

21. Creditors: Amounts falling due after more than one year

	2018 £000	2017 £000
Bank Loans	-	40,000
Amounts owed to group undertakings	22,276	22,276
	<u>22,276</u>	<u>62,276</u>

Bank loans and overdrafts

Bank loans represent a £40m facility which was fully drawn-down at the year end. Interest accrues at 5.58% and the loan is secured against assets across the Group. The facility is repayable on 14 April 2022. As at 31 December 2018 the loan facility has been classified as a current liability (see note 20)

Amounts owed to group undertakings

Amounts owed to group undertakings are in the form of three unsecured loans. £14.5m is repayable in 4 years and accrues interest at 10.4%, £2.5m accrues interest at 10.4 % with no repayment date and £5.3m accrues interest at 10.7% with no repayment date.

22. Provisions

	Deferred Tax £000	Dilapidations £000	Onerous leases £000	Total £000
As at 1 January	2,915	468	-	3,383
Charge/(credit) to the profit and loss	(1,902)	-	2,134	232
Provision utilised during the year	-	(31)	-	(31)
	<u>1,013</u>	<u>437</u>	<u>2,134</u>	<u>3,584</u>

i) Deferred tax

	2018 £000
At beginning of year	2,915
Credit to the profit or loss	(1,902)
	<u>1,013</u>

The provision for deferred taxation is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	(368)	54
Intangible assets	2,649	2,873
Losses	(1,619)	-
Short term timing difference	363	-
Other	(12)	(12)
	<u>1,013</u>	<u>2,915</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

22. Provisions (continued)

ii) Property provisions

Dilapidations

A dilapidation provision is an estimate of the future costs associated with obligations to reinstate and repair stores in accordance with contractual and other obligations. Provisions have been recorded in accordance with obligations within the property lease contracts and will be utilised at the termination of the related property leases

Onerous leases

The onerous lease provision covers potential liabilities for lease contracts for stores that have unavoidable lease costs which are not recovered from the future cash flows from trading the store. The provision is based on the lower of the present value of future cash flows or exit costs relating to rents, rates and other property costs to the end of the lease terms net of expected sublet income.

23. Called up Share capital

	2018 £000	2017 £000
Shares classified as equity		
Allotted, called up and fully paid		
362,569,578 (2017: 362,569,578) Ordinary shares of £0.01 each	3,626	3,626

24. Reserves

Profit and loss account

The profit and loss account represents the accumulated profits, losses and distributions of the Company.

25. Capital commitments

At 31 December 2018 the Company had capital commitments as follows:

	2018 £000	2017 £000
Contracted for but not provided in these financial statements	66	165

26. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £390,213 (2017: £317,612).

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**NOTES TO THE FINANCIAL STATEMENTS
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27. Derivative Financial instruments

	2018	2017
	£000	£000
Creditor at 1 January 2018	-	(126)
Changes in value dealt with through other comprehensive expense	-	126
Creditor at 31 December 2018	-	-

On 31 December 2015, a floating to fixed interest rate swap was agreed with a notional amount of £20m and a maturity of 2 years. During the year to 31 December 2017 the interest rate swap had matured.

28. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	2017
	£000	£000
Not later than 1 year	16,263	16,963
Later than 1 year and not later than 5 years	46,350	50,259
Later than 5 years	24,996	36,285
	87,609	103,507

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

29. Post balance Sheet Events

On 13 May 2019, a Company Voluntary Arrangement (CVA) was successfully launched and approved by the creditors of the business and subsequently received no legal challenge.

The objective of the CVA in conjunction with a turnaround plan is to restore the viability of the business through a combination of:

- f) achieving rent reductions in line with market rental prices across a number of stores that were unviable at current levels;
- g) exiting a number of stores that cannot be made viable even with rent reductions
- h) achieving reductions in Business Rates across certain stores during the Rates Concession Period;
- i) the release or reduction of certain guarantees given by Compromised Lease Guarantors in relation to the business's obligations under the Guaranteed Compromised Leases;
- j) compromising other Specific Liabilities, including £71m of Intragroup Creditors which have been compromised to 1% of the liability and the business's HMRC VAT Liability; and
- k) moving to monthly rents (rather than quarterly) across the portfolio, to assist with cash flow

Following the approval of the CVA by the company's creditors, the directors have commenced the implementation of the approved plan, and the company is beginning to benefit from a reduced cost base. The CVA is expected to positively affect the performance of the business over the next 2 years, but the exact impact cannot be measured with complete certainty at this time.

In August 2019 the ultimate parent undertaking, AS Adventure Coöperatief U.A., secured an agreement with the external lenders to the group, regarding the renegotiation of the terms associated with the group wide Senior Finance arrangement. The financial covenants and certain other terms of the agreement were adjusted to reflect the expected future performance of the group and allow the group to better manage working capital movements. As part of the overall agreement with the lenders, the main shareholders of the Group will inject €15million of funds into the business in the third quarter of 2019 in order to provide the group with additional liquidity headroom to finance working capital peaks.

30. Controlling party

The immediate parent undertaking is Retail Concepts N.V.

The ultimate parent undertaking and controlling party is AS Adventure Coöperatief U.A., a company incorporated in the Netherlands.

AS Adventure Holding B.V. is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2018. AS Adventure Coöperatief U.A. is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2018.

The consolidated financial statements of AS Adventure Holding B.V. and AS Adventure Coöperatief U.A. are available from Prins Bernhardplein 200, 1097 JB AMSTERDAM, Netherlands.