# Carpegna Ltd

## Annual Report and Financial Statements
## Year ended 30 January 2022

Financial Statements
for the year ended
30 January 2022

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COMPANIES HOUSE

CONSOLIDATED FINANCIAL STATEMENTS

**Carpegna Ltd**

For the year ended 30 January 2022

Company No. 10898646

## COMPANY INFORMATION

| | |
|---|---|
| Company Registration Number | 10898646 |
| Company Address | Rapha Works<br>4 Elthorne Road<br>London<br>N19 4AG |
| Directors | W Kim<br>S Mottram<br>N D Evans<br>S Walton<br>M Tarver |
| Company Secretary | S Mottram |
| Bankers | HSBC Bank PLC<br>50-52 Kilburn High Road<br>London<br>NW6 4HJ |
| Independent Auditors | PricewaterhouseCoopers LLP<br>Chartered Accountants and Statutory Auditors<br>1 Embankment Place<br>London<br>WC2N 6RH |

CONTENTS

## STRATEGIC REPORT

The Directors present their Strategic Report and the Audited Consolidated Financial Statements for the year ended 30 January 2022 (52 week period ended 30 January 2022).

**Principal activities and business review**
The company was incorporated on 3 August 2017 in London, United Kingdom. On 17 August 2017, Carpegna Ltd group acquired Rapha Racing Ltd, a designer and retailer of cycling apparel and accessories.

**Review of the business and key performance indicators**
The Group's results for the year to 30 January 2022 are set out in the Consolidated Profit and Loss Account on page 16. The results incorporate the activities of Rapha Racing Ltd and its subsidiaries for the year ended 30 January 2022. The comparative period is the year ended 31 January 2021.

The Directors use a number of KPIs which they consider are effective in measuring delivery of the strategy, and which assist the Directors in the management of the business. The current and prior year KPIs are shown below.

| | Year ended 30 January 2022 | Year ended 31 January 2021 |
|---|---|---|
| Total turnover | £132m | £98m |
| EBITDA | £11m | £13m |
| Operating loss | £7m | £4m |
| New Customers | 169k | 158k |
| RCC Members | 22k | 20k |
| Web Customer Lifetime Value | £505 | £489 |

Online operations performed well during the COVID-19 pandemic with strong revenue growth and new customer acquisition. Marketing operations focused on making the Rapha brand more visible and engaging to cyclists which combined with a steady stream of new product launches resulted in increased demand. Rapha launched its first Mountain Bike apparel collection in the year which landed well and the Group has implemented a new direction for the Women's on-bike and lifestyle collections.

Rapha Clubhouses across the global estate were impacted during the year by the COVID-19 pandemic. Government enforced closures and lockdowns resulted in stores being closed for varying periods of time. This impacted revenue in the financial period although demand bounced back well as stores reopened. The Clubhouse channel contributed 17% of total sales in the year (2021: 16%).

The Group invested heavily in stock during the year with a closing balance of £40m (2021: £19m). Product availability on the website and the frequency of Clubhouse replenishments have improved significantly and this also provides some protection from ongoing supply chain challenges.

**Principal risks and uncertainties**
The directors regularly monitor the risks and uncertainties of the business and agree policies for those risks. These are categorised as Financial and Non-Financial.

**Principal Risks**

**Exchange Rate Risk**
The Group trades in various currencies and hedges by maintaining bank accounts in those currencies. Financial instruments are considered and used where appropriate and any contracts entered into expire before year end. The company does not speculate on exchange rate movements.

**Liquidity Risk**
The company regularly monitors and updates cash flow forecasts. These are reviewed regularly by the board and exist for a minimum of 12 months into the future to ensure sufficient headroom is available. The Group manages liquidity risk via a revolving credit facility and Shareholder loans.

## Financial Risks

### Credit Risk

The company currently considers this risk negligible. 92% of trade is spread across numerous individual parties who pay via credit card. No credit is offered to retail customers. Where appropriate the company sets credit limits for retail partners, manages balances carefully and holds a bad debt provision against customer accounts when necessary.

## Non-Financial Risks

### Product Supply

The business has a number of key suppliers and continually monitors these relationships. The company continually develops the supply chain to mitigate an over-dependence on individual suppliers and factories.

### Intellectual Property and Counterfeiting

The Group continually monitors the markets for such products and has procedures in place to remove them where necessary.

### Environmental responsibilities

The Directors operate the business in pursuit of good environmental standards The company works in partnership with suppliers to ensure effective management of environmental factors and to minimise any adverse impact of operations on the environment. The company complies with relevant legislation and related requirements and has worked to raise the environmental awareness of employees.

### Business Recovery

The Group takes this risk very seriously and has put in place a variety of measures including insurances and outsourcing to mitigate the risk.

### Post Balance Sheet Events

Post balance sheet events are listed in the Directors Report on page 11.

### Future Developments

In 2022 the Group will focus on building its core business foundation and enhancing the consumer experience journey across its products and the unique Rapha channel experiences online and in the Clubhouses. To achieve this there will be a full warehousing and logistics re-tender and an end-to-end Supply Chain review to improve speed to market. Throughout 2022 the Group will continue to highlight new season launches and campaigns including Gore-Tex, Legion of LA, EF Education-Easypost and road, gravel and trail Bib-Shorts.

### Section 172 statement

The directors act in a way they consider is most likely to promote the success of the Group for the benefit of its' members as a whole, and in doing so have regard to the:

a) Likely consequence of any decision in the long term
b) Interests of the company's employees
c) Need to foster the company's business relationships with suppliers, customers and others
d) Impact of the company's operations on the community and the environment
e) Desirability of the company maintaining a reputation for high standards of business conduct
f) Need to act fairly between members of the company

We report here how our directors have discharged their duties under s.172 of the Companies Act 2006.

### Customers

Rapha's customers are fundamental to its success. The Group prides itself on designing and offering innovative products, producing leading content and reacting to ensure we are at the forefront of customer experience.

### People

The Group's culture is shaped by clearly defined employee values and behaviours which are closely aligned to the achievement of Rapha's strategic priorities.

We have committed to a series of initiatives, using existing internal resources as well as external support, to ensure our employees feel supported and every member of staff is educated on the issues surrounding diversity, representation and equality in our industry. We have commissioned an external consultant to evaluate our internal culture and hiring practices. This includes the formation of an employee resource group (ERG) comprised of a diverse and representative group of employees to provide an internal support network for staff, to ensure diversity in recruitment, retention and promotion, and to incorporate a broad cross-section of opinions in cultural and brand decisions. In further increasing the transparency around our purpose, we have begun work on a series of public resources available for our staff and to be published on rapha.cc as well as in our clubhouse network, outlining our commitments and activities in promoting better representation for people of all backgrounds in cycling.

**Suppliers**

Rapha maintains a close working relationship with suppliers to align our respective cultures for mutual economic benefit and to ensure the best possible retail offering to customers.

**Environmental impact and sustainability**

The Board is mindful of the wider social context within which our business operates, including those relating to climate change and sustainability. The Groups sustainability strategy has been given an identity and is now a strong voice within the decision making practices of the business. The Group has shared its impact commitments, targets and actions with customers on the website. Among these are the following commitments:

- Further fund, develop and represent a more diverse cycling community around the world
- Ensure the wellbeing and long-term development of all people in our company and supply chain
- Achieve Carbon Neutral status at the company level in 2025
- Minimise the impact of materials and manufacturing with environmental preferred materials and responsibly sourced packaging
- Maximise product lifespans and recirculation

On behalf of the Board on 12 August 2022

William Kim
**Director**

## DIRECTORS' REPORT

The directors present their report together with the audited financial statements of the Group for the year ended 30 January 2022.

Certain information required by the Companies Act 2006 relating to the information to be provided in the Directors' Report is set out in the Strategic Report and includes: Principal Activity and Financial Risks.

**Directors**

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

- W Kim – appointed 7 March 2022
- S Mottram
- N D Evans
- S Walton
- M Tarver

**Results and dividends**

EBITDA for the financial year was £10.7m (2021: EBITDA of £13.1). The final result for the financial year after taxation, amounted to a loss of £11.4m (2021: loss of £8.7m).

The directors do not recommend payment of a dividend.

**Existence of branches outside the UK**

The Group has branches, as defined in section 1046 (3) of the Companies Act 2006, outside the UK as listed below:

- France
- Germany
- Italy
- South Korea
- Switzerland
- Taiwan
- Canada
- Belgium

The Group also has subsidiaries outside of the UK as listed below:

- USA
- Japan
- Hong Kong
- Australia
- Denmark
- Singapore
- Netherlands
- Spain

**Indemnity provision**

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 Directors' and Officers' liability insurance in respect of itself and its directors.

**Research and development**

Research and development is focussed on the design, development and production of innovative cycle clothing for world class racing teams. Information technology also forms a fundamental part of Carpegna Ltd's business and the systems are continually being advanced to support our business objectives.

**Employees**
All Group employment policies and practices require that an individual's skills, experience and talent are the sole determinants in recruitment and career development rather than age, beliefs, disability, ethnic origin, gender, marital status, religion and sexual orientation.

Carpegna Ltd supports the continuing professional development of all its employees. Where appropriate, skills development training is provided to employees to enable them to perform their duties and to facilitate career progression opportunities. Training schemes around the Group include vocational training, skill sharing sessions, mentoring and personal employee development.

To ensure all employees are kept informed on matters that may concern them, the divisions carry out employee briefings in a number of ways. There are business updates weekly and quarterly on the progress of the company, staff meetings, lunchtime skill shares, newsletters and staff surveys.

**Statement of directors' responsibilities in respect of the financial statements**
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, 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 group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

**Directors' confirmations**
In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

**Going concern**
The Group has modelled a number of scenarios to assess the reasonableness of the going concern basis of preparation. The base case model includes a number of conservative assumptions around revenue growth, margin and cost base. The model shows sufficient cash balances and headroom until year end and for the next 12 months. Management have also assessed trading and operational actions that could be implemented to manage the business in negative scenarios.

The directors have given careful consideration of these financial forecasts and the underlying risks and assumptions and are satisfied that all the assumptions made are reasonable and realistic. On this basis, the preparation of the financial statements on the going concern basis is considered appropriate.

**Environmental responsibility**
Rapha exists to make cycling the most popular sport in the world. In everything we do from the clothing we design to the stories we tell to the communities we celebrate, we have attempted to portray our deep and honest love for the sport. Now more than ever, we are also motivated by cycling's role as a force for good in the world. Cycling has the power to improve people's lives and play a key part in the battle against climate change. Whilst it's true that cycling is a fundamental force for good, the cycling industry must

do far more to minimise its social and environmental impacts. For a society facing up to climate change, cycling is much more than just a sport. Cycling offers a clean, efficient mode of transport to millions of people around the world, and we believe it has the potential to change many more lives still.

We have committed to an interim target of achieving Carbon Neutral status by 2025. As part of this target the energy used in offices and Clubhouses will, where possible, be sourced from 100% renewable sources. Where not possible this will be offset through accredited offsetting programs. This work is ongoing and will be accounted for in future SECR reports published by the Group.

<u>Reporting Scope</u>
This report highlights Rapha Racing's UK energy and carbon emissions for the year ended 30 January 2022. These are calculated using energy records from all Rapha Racing UK sites with carbon and emission data from the EPC conversion data tables published by the the Department of for Business, Energy and Industrial Strategy. The report covers all usage from 01/02/2021 up to and including 30/01/2022. Where data has been unavailable pro-rata estimations have been made.

<u>Notes on UK COVID-19 restrictions</u>
The UK government enforced a lockdown impacting retail stores, forcing them to close from the start of the financial year until 12/04/2021.

| Active Facility | Asset ownership | Size | Notes |
|---|---|---|---|
| Soho Clubhouse | Full year | 290 metres squared | Store closed through UK lockdowns |
| Manchester Clubhouse | Full year | 131 metres squared | Store closed through UK lockdowns |
| Imperial Works | Full year | 1765 metres squared | Limited use during UK lockdown with most employees working from home |
| Spitalfields Clubhouse | Part year (01/02/21 - 13/06/21) | 170 metres squared | Closed during UK lockdowns |
| Rapha Works | Part year (31/10/21 - 30/01/22) | 2459 sqr/mtrs | Site unoccupied during reporting period |

| Active Vehicle | Asset ownership | Mileage - 2022 | Mileage - 2021 | Notes |
|---|---|---|---|---|
| Citroen H Van (Petrol) | Full year | 1,427 | 2,424 | Used for marketing and promotional activity, limited by Covid-19 restrictions |

<u>Electrical energy conversion</u>

| Active Facility | Electrical Use (kWh) - 2022 | Electrical Use (kWh) - 2021 | Notes |
|---|---|---|---|
| Soho Clubhouse | 80,061 | 39,667 | |
| Manchester Clubhouse | 42,722 | 25,536 | Date estimate using pro rata calculation from Spitalfields Clubhouse (117 kWh per day) |
| Imperial Works | 223,125 | 212,893 | |
| Spitalfields Clubhouse | 15,450 | 50,008 | Energy data for occupied period until 13/06/2021 |
| Rapha Works | 7.930 | 0 | Energy for unoccupied property 01/11/2021 - 30/01/2022 |
| Kilver Court Archive Store | 0 | 10,137 | Store permanently closed 08/05/20 |
| Bicester Archive Store | 0 | 12.179 | Store permanently closed 31/03/20 |

<u>Gas energy conversion</u>

| Active Facility | Gas Use (kWh) - 2022 | Gas Use (kWh) - 2021 | Notes |
|---|---|---|---|
| Soho Clubhouse | 2,631 | 34,528 | Renewable gas certificate provided but standard gas emission factor used |

Fuel energy conversion

| Active Vehicle | Energy use conversion (kWh) - 2022 | Energy use conversion (kWh) - 2021 | Notes |
|---|---|---|---|
| Citroen H Van (Petrol) | 1,998 | 3,120 | Class II van energy conversion used |

Energy consumption (Total)

| Active Facility | Gas Use (kWh) - 2022 | Gas Use (kWh) - 2021 | Electricity Use (kWh) - 2022 | Electricity Use (kWh) - 2021 | Petrol Use (kWh) - 2022 | Petrol Use (kWh) year ended - 2021 |
|---|---|---|---|---|---|---|
| Rapha Racing UK | 2,631 | 34,528 | 369,287 | 352,352 | 1,998 | 3,120 |

Energy generation
Through the occupancy of our new head office, Rapha Works, Rapha now generates electricity through 30 solar panels installed at the property. The primary purpose of this generation is to contribute to the energy use of the building.

| Active Facility | Generation Source | Electricity Generated (kWh) - 2022 | Electricity Generated (kWh) - 2021 |
|---|---|---|---|
| Rapha Works | Solar panels | 695 | 0 |

Greenhouse gas emissions

| Active Facility | Electricity kg $CO_2e$ - 2022 | Electricity kg $CO_2e$ - 2021 | Gas kg $CO_2e$ - 2022 | Gas kg $CO_2e$ - 2021 | Petrol kg $CO_2e$ - 2022 | Petrol kg $CO_2e$ - 2022 | Notes |
|---|---|---|---|---|---|---|---|
| Soho Clubhouse | 0 | 0 | 534 | 7,008 | N/A | N/A | Electricity sourced from 100% renewable source |
| Manchester Clubhouse | 9,071 | 0 | N/A | N/A | N/A | N/A | Estimated data based upon Spitalfields usage |
| Imperial Works | 0 | 48,913 | N/A | N/A | N/A | N/A | EDF Blue for business nuclear sourced 0 emission tariff |
| Spitalfields Clubhouse | 3,280 | 0 | N/A | N/A | N/A | N/A | Eon unable to provide generation origin certificate – used standard emission factor |
| Rapha Works | 0 | 0 | N/A | N/A | N/A | N/A | 100% renewable tariff |
| Citroen H Van | N/A | N/A | N/A | N/A | 484 | 587 | Standard petrol conversion factor used |

The total in scope $CO_2$ emissions for Rapha Racing for the year ended 30 January 2022 is **13,370kg $CO_2e$** (2021: **62,360kg $CO_2e$**)

Energy Intensity Ratio
The energy intensity ratio is used to give a relative impact of Rapha's operations upon its emission footprint. Due to the Spitalfields store and Rapha Works being only open for a partial part of the year, their square meterage has been given as a % of the year they were open. The net result is the total size of Rapha Racing premises equates to 2,861m2 for the financial year (2021: 2,770m2).

Due to accounting for less than 1% of total energy consumption and not having a direct comparison to the chosen energy intensity measures, the Citroen H van emissions have not been included from the energy intensity ratio.

The total energy intensity ratio is **4.7kg $CO_2e/m^2$** (2021: **25.3kg $CO_2e/m^2$**)

**Post Balance Sheet Events**
In April 2022 the Group agreed with HSBC to amend the existing RCF agreement to extend the borrowing limit by an additional £8,000,000 for a period of 12 months.

On 13 June 2022 all London based Head Office teams moved into Rapha Works, located at 4 Elthorne Road, London, N19 4AG. The lease term is 15 years from 1 October 2021 to 30 September 2036 with a 24 month rent free period.

**Future developments**
Future developments of the Group are set out in the strategic report on page 5.

**Independent auditors**
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

On behalf of the Board on 12 August 2022

William Kim
**Director**

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARPEGNA LTD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

In our opinion, Carpegna Ltd's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 January 2022 and of the group's loss and the group's cash flows for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company Balance Sheets as at 30 January 2022; the Consolidated Profit and Loss account, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

**Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the period ended 30 January 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report

## Responsibilities for the financial statements and the audit

**Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of director's responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment law and health and safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate manual journals, in particular to misstate revenue or misappropriate cash, and management bias in accounting estimates Audit procedures performed by the engagement team included:

- Enquiries of management and the Directors of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions and judgements made by management in accounting estimates specifically in relation to the impairment review of goodwill and investments, inventory provision, share-based payments and tax,

- Identifying and testing journal entries and period end adjustments, including those with unusual account combinations or posted with certain descriptions;
- Testing of compliance with VAT regulations during the financial year.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

**Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

  We have no exceptions to report arising from this responsibility.

JMEllis

John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

12 August 2022

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | Note | Year ended 30 January 2022 | Year ended 31 January 2021 |
|---|---|---|---|
| | | £000 | £000 |
| Turnover | 4 | **131,705** | 98,005 |
| Cost of sales | | **(82,060)** | (53,135) |
| Gross Profit | | **49,645** | 44,870 |
| Administrative Expenses | | **(38,926)** | (31,765) |
| EBITDA pre-exceptional items | | **10,719** | 13,105 |
| Exceptional items | 24 | **(5,140)** | (2,709) |
| Shareholder monitoring fee | | **(500)** | (500) |
| Depreciation | 11 | **(722)** | (937) |
| Amortisation | 10 | **(11,537)** | (12,923) |
| Operating Loss | 5 | **(7,180)** | (3,964) |
| Interest payable and similar expenses | 8 | **(3,359)** | (3,112) |
| Loss before taxation | | **(10,539)** | (7,076) |
| Tax on loss | 9 | **(837)** | (1,651) |
| Loss for the financial year | | **(11,376)** | (8,727) |

EBITDA is earnings before interest, taxation, depreciation and amortisation.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 30 January 2022 | Year ended 31 January 2021 |
|---|---|---|
| | £000 | £000 |
| Loss for the Financial Year | **(11,376)** | (8,727) |
| Exchange difference on retranslation of subsidiary undertakings | **(201)** | (627) |
| Changes in value of hedging instruments | **1** | (122) |
| Total comprehensive expense for the financial year | **(11,576)** | (9,476) |

## CONSOLIDATED BALANCE SHEET

| | Note | As at 30 January 2022 | As at 31 January 2021 |
|---|---|---|---|
| | | £000 | £000 |
| **Fixed assets** | | | |
| Intangible assets | 10 | 102,039 | 112,044 |
| Tangible assets | 11 | 2,083 | 959 |
| | | 104,122 | 113,003 |
| **Current assets** | | | |
| Stocks | 12 | 39,550 | 18,896 |
| Debtors | 13 | 8,303 | 6,822 |
| Cash at bank and in hand | | 16,325 | 19,715 |
| | | 64,178 | 45,433 |
| **Creditors: amounts falling due within one year** | 14 | (37,883) | (22,929) |
| ***Provision for other Liabilities*** | 15 | (17,546) | (18,725) |
| **Net current assets / (liabilities)** | | 8,749 | 3,779 |
| **Total assets less current liabilities** | | 112,871 | 116,782 |
| **Creditors: amounts falling due after more than one year** | 16 | (47,117) | (39,659) |
| **Net Assets** | | 65,754 | 77,123 |
| **Capital and reserves** | | | |
| *Called up share capital* | 22 | 1,573 | 1,576 |
| Share premium account | | 154,512 | 154,796 |
| Other reserves | | 287 | - |
| Profit and loss account | | (90,618) | (79,249) |
| **Total shareholders' funds** | | 65,754 | 77,123 |

The financial statements on page 16 to 42 were authorised for issue by the board of directors on 12 August 2022and signed on its behalf by:

William Kim
**Director**

Company Number: 10898646

# COMPANY BALANCE SHEET

| | Note | As at 30 January 2022 | As at 31 January 2021 |
|---|---|---|---|
| | | £000 | £000 |
| **Fixed assets** | | | |
| Investments | 25 | 163,582 | 159,124 |
| | | 163,582 | 159,124 |
| **Total assets less current liabilities** | | 163,582 | 159,124 |
| **Creditors: amounts falling due after more than one year** | 16 | (7,209) | (2,751) |
| **Net Assets** | | 156,373 | 156,373 |
| **Capital and reserves** | | | |
| Called up share capital | 22 | 1,573 | 1,576 |
| Share premium account | | 154,513 | 154,797 |
| Other reserves | | 287 | - |
| **Total shareholders' funds** | | 156,373 | 156,373 |

The Company's result for the year was £nil (2021: £nil).

The financial statements on page 16 to 42 were authorised for issue by the board of directors on 12 August 2022 and signed on its behalf by:

William Kim
Director

Company Number: 10898646

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Called-up share capital | Share premium account | Other reserves | Foreign Exchange Reserve | Profit and Loss Account | **Total Shareholders ' funds** |
|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Balance as at 26 January 2020** | 1,576 | 154,796 | - | **(622)** | (70,397) | 85,353 |
| *Loss for the year* | - | - | - | - | (8,727) | (8,727) |
| FX reserve movement | - | - | - | 497 | - | 497 |
| **Balance as at 31 January 2021** | **1,576** | **154,796** | - | **(125)** | **(79,124)** | **77,123** |
| **Balance as at 1 February 2021** | 1,576 | 154,796 | - | (125) | (79,124) | 77,123 |
| Loss for the year | - | - | - | - | (11,376) | (11,376) |
| FX reserve movement | - | - | - | 7 | - | 7 |
| Share buy-back and cancellation | (3) | (284) | 287 | - | - | - |
| **Balance as at 30 January 2022** | **1,573** | **154,512** | **287** | **(118)** | **(90,500)** | **65,754** |

# COMPANY STATEMENT OF CHANGES IN EQUITY

| | Called-up share capital | Share premium account | Other reserves | Foreign Exchange Reserve | Profit and Loss Account | Total Shareholders' funds |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Balance as at 26 January 2020** | 1,576 | 154,797 | - | - | - | 156,373 |
| **Balance as at 31 January 2021** | **1,576** | **154,797** | - | - | - | **156,373** |
| **Balance as at 1 February 2021** | 1,576 | 154,797 | - | - | - | 156,373 |
| Share buy-back and cancellation | (3) | (284) | 287 | - | - | - |
| **Balance as at 30 January 2022** | **1,573** | **154,513** | **287** | - | - | **156,373** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | Year ended 30 January 2022 £000 | Year ended 31 January 2021 £000 |
|---|---|---|---|
| **Net cash (outflow) / inflow from operating activities** | 23 | (4,487) | 15,705 |
| Taxation paid | | (786) | (414) |
| Net cash (used in) / generated from operating activities | | (5,273) | 15,291 |
| **Cash flow from investing activities** | | | |
| Purchase of intangible assets | | (1,926) | (1,500) |
| Purchase of tangible assets | | (2,012) | (660) |
| **Net cash used in investing activities** | | (3,938) | (2,160) |
| **Cash flow from financing activities** | | | |
| Receipts / (repayments) from revolver loan facility | | 5,573 | (4,368) |
| Interest paid | | (82) | (312) |
| Repayment of obligations under finance leases | | (8) | (128) |
| **Net cash (used in) / generated from financing activities** | | 5,483 | (4,808) |
| Net increase/(decrease) in cash and cash equivalents | | (3,728) | 8,323 |
| Cash and cash equivalents at beginning of the period | | 19,715 | 10,794 |
| Exchange gains on cash and cash equivalents | | 338 | 598 |
| Cash and cash equivalents at the end of the period | | 16,325 | 19,715 |

# NOTES TO THE FINANCIAL STATEMENTS

**1. Statutory information**

Carpegna Ltd ('the Company') and its subsidiaries (together 'the Group') principal activity is that of design and sale of cycling apparel and accessories through e-commerce and retail channels.

Carpegna Ltd is a private company limited by shares and is incorporated in London, England, registration number 10898646. The address of its registered office is Rapha Works, 4 Elthorne Road, London, N19 4AG.

**2. *Statement of Compliance***

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

**3. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated and Company financial statements are set out below and have been consistently applied to all years presented. The current financial year covered by these Audit Financial Statement is the 52 week period ended 30 January 2022.

**(a) Basis of preparation**

These consolidated and Company financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value. The presentation currency is £ sterling.

The Company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of the exemptions by the Company's shareholders. The Company has taken the advantage of the exemption from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows.

The preparation of financial statements require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies (see note 3).

**(b) Basis of consolidation**

The Group consolidated financial statements include the financial statements of the Company (including overseas branches) and all of its subsidiary undertakings. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences, deemed to have been established on 17 August 2017. Acquisitions are accounted for under the acquisition method of accounting and the companies acquired or disposed of are included in the consolidated profit and loss account after or up to the date that control passes respectively All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

**(c) Turnover recognition**

Turnover represents amounts receivable for goods and services net of value added taxes, trade discounts and a provision for returns. The Group bases its estimate of returns on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement. The Group recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the amount of turnover can be measured reliably; (c) it is probable that future economic benefits will flow to the entity.

**(d) Intangible assets**

Intangible assets are valued at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the profit and loss on a straight line basis over their estimated useful lives.

| | |
|---|---|
| Software | - 3 Years |
| Website | - 3 Years |
| Trademarks | - 3 Years |
| Acquired Brands | - 20 Years |
| Customer Relationships | - 14 Years |
| Goodwill | - 10 Years |

**(e) Tangible assets**
Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful economic life, as follows:

| | |
|---|---|
| Land and Buildings | - 33.33% straight line per annum |
| Plant and Machinery | - 25% to 33.33% straight line per annum |

**(f) Investments**
Investments in subsidiary companies are stated at cost less provision for diminution in value.

**(g) Foreign currency**
Transactions in foreign currencies are recorded using the hedged rate or the spot rate if no hedges are in place. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are treated in accordance with hedge accounting FRS 102, section 12.

**(i) Hedging arrangements**

The group applies hedge accounting for transactions entered into to manage cash flow exposures.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss account when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rate. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the period. Gains or losses on these translations are taken to reserves.

**(h) Pension scheme**
The Group makes contributions to employees' personal pension funds. The assets of the funds are held separately from those of the Company. The pension charge represents the amounts paid by the Group to the funds in respect of the period.

**(i) Leased assets**

**(i) Finance leased assets**
Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset, or if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Assets are depreciated over the shorter of the lease term and the estimated useful economic life of the asset. The capital element of lease obligations is recorded as a liability on inception. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method.

**(ii) Operating leased assets**
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

**(iii) Lease incentives**
Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

**(j) Stock**
Stock is stated at the lower of cost and estimated selling price less costs to sell. Stock is recognised as an expense in the period in which the related turnover is generated. Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase

price, tax, duty, transport and handling directly attributable to bring the stock to its present location and condition. Obsolescence is assessed regularly with a provision included for fragmented and old lines not expected to sell for an NRV greater than cost.

**(k) Exceptional items**

The Group classifies certain one-off charges that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately in note 24 to provide further understanding of the financial performance of the Group.

**(l) Taxation**

Taxation expense for the period, comprises current tax that is payable in respect of the taxable profit for the year or previous years. Tax is calculated on the basis that tax rates and laws that have been enacted by the year end. Deferred tax is recognised on unrelieved tax losses to the extent that it is probable that they will be recovered against future taxable profits.

***(m) Shared based payment transactions***

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

The Company's net obligation is based on Company performance metrics including EBITDA. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

**(n) Significant accounting judgements and estimation uncertainty**

*Estimates and judgements are continually evaluated and are based on historical experience and other factors, including* expectations of future events that are believed to be reasonable under the circumstances.

*Estimates:*

**(i) Refunds/Returns provision**

Returns are provided for at the period end in respect of actual returns completed within 90 days of the balance sheet date. The stock return provision is estimated based on the level of returns and margins historically achieved.

**(ii) Depreciation/Amortisation**

Useful economic lives of assets are reviewed regularly to ensure that depreciation and amortisation rates are reasonable.

**(iii) Share-Based Payments**

A subsidiary company has previously issued shares to employees. The terms of these shares are set out in detail in the Articles of Association of Rapha Racing Limited. In summary, the shares are not entitled to vote or receive dividends and have restrictions on transfer. Additionally, the shares are required to be transferred by the employees to a Group company, in the event of leaving employment of the Group. The amount payable on leaving employment depends on the nature of the leaver. Separate terms also apply on a future change of control of the Group or the subsidiary company.

The employees can sell these shares to the company in future option periods between 2023 and 2028, provided the individuals continue in employment with the group. The future consideration payable is dependent on the performance of the Group in future years, specifically in relation to EBITDA.

In assessing the accounting treatment of the shares, the Directors have to consider a number of factors including, a) the likelihood of employees leaving the employment of the Group, b) the likelihood and timing of a future change in control of the Group or subsidiary company; and c) the nature of the future payment based on EBITDA. A calculation for accounting purposes is based on this judgement. This involves making a number of estimates, including the expected amount payable in future years, and the discount rate applied to the liability.

The charge recognised in the year is disclosed in note 26.

**(iv) Goodwill and Intangible Assets**

The below table summarises the sensitivity from assumptions made by the Company in respect to the unobservable inputs used in the fair value measurement of Goodwill and other Intangible Assets when assessing for impairment. The pre-tax discount rate is 13.64% (11% post-tax).

| Input | Sensitivity range | Headroom against Goodwill & Intangibles Balance (£000) |
|---|---|---|
| **At 30 January 2022** | | |
| Discount rate | 0.50% | 64,561 |
| | -0.50% | 86,861 |
| Terminal growth | 0.50% | 83,661 |
| | -0.50% | 67,461 |
| Sales | 1.0% p.a | 86,790 |
| | -1.0% p.a | 63,975 |

**(v) Store Impairment**

Store assets are tested annually for impairment by comparing discounted future cash flows with the net book value of such assets. Key sensitivities include the discount rate.

**Judgements:**

**(i) Going concern**

The directors have given careful consideration of the financial forecasts and the underlying risks and assumptions in those forecasts and are satisfied that all the assumptions they have made are reasonable and realistic. Sales growth rates used in financial forecasts reflect the increased customer demand experienced throughout 2021 and the impact of Brexit has been considered with increased costs built in. Sensitivity analysis and stress tests have been performed with a number of areas identified to help manage the cash position if required including overheads, stock purchases and recruitment. These forecasts have been stress tested with comfort gained that the Group is a going concern.

The shareholder loan notes set out in note 16 are repayable on 30 June 2024.

The financial statements have therefore been prepared on the going concern basis and the directors believe there to be no uncertainty on this matter.

**(o) Business combinations and goodwill**

Business combinations are accounted for by applying the purchase method. The cost of the business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued. On acquisition of a business, fair values are attributed to the identifiable assets liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired. Goodwill is amortised over its expected useful life which is estimated to be ten years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the Profit and Loss account. No reversals of impairment are recognised.

**(p) Financial Instruments**

The Group and Company use FRS 102, section 12 in respect of hedge accounting.

**(i) Financial assets**

Basic financial assets, including cash at bank and in hand, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows, discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Other financial assets are initially measured at fair value, which is normally the transaction price.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**(ii) Financial liabilities**

*Basic financial liabilities, including the other creditors and amounts due to group undertakings, are initially recognised at* transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipt discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

*Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from* suppliers. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

## 4. Turnover

The turnover for the year is split between key geographic markets as follows:

| | Year ended 30 January 2022 | Year ended 31 January 2021 |
|---|---|---|
| | **£000** | £000 |
| UK | **26,244** | 19,529 |
| Europe | **34,245** | 25,483 |
| USA/Canada | **37,554** | 27,945 |
| Asia Pacific | **31,593** | 23,509 |
| Rest of the World | **2,069** | 1,539 |
| | 131,705 | 98,005 |

| | Year ended 30 January 2022 | Year ended 31 January 2021 |
|---|---|---|
| Analysis of turnover by category: | **£000** | £000 |
| Sale of goods | **130,191** | 96,506 |
| Services provided | **1,514** | 1,499 |
| | 131,705 | 98,005 |

Turnover for the Company during the year was £0 (2021: £0).

## 5. Operating Loss

**The operating loss is stated after charging:**

| | Year ended 30 January 2022 | Year ended 31 January 2021 |
|---|---|---|
| | **£000** | £000 |
| Audit Fees | **115** | 85 |
| Non Audit Fees | **145** | 217 |
| Depreciation of tangible fixed assets | **722** | 937 |
| Amortisation of intangible fixed assets | **11,537** | 12,923 |
| Operating lease rentals | **3,531** | 2,984 |
| Foreign exchange differences | **811** | 122 |

## 6. Employees and directors

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

| | Year ended 30 January 2022 | Year ended 31 January 2021 |
|---|---|---|
| | No. | No. |
| Administration and central functions | **235** | 202 |
| Clubhouses | **220** | 210 |
| Regional marketing | **29** | 26 |
| | **484** | 438 |

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

| | Year ended 30 January 2022 | Year ended 31 January 2021 |
|---|---|---|
| | £000 | £000 |
| Wages and salaries | **17,677** | 15,994 |
| Social security costs | **2,161** | 1,916 |
| Other pension costs | **633** | 495 |
| | **20,471** | 18,405 |

The average monthly number of persons (including executive directors) employed by the Company during the year was 0 (2021: 0) and staff costs of the Company during the year was £nil (2021: £nil).

## 7. Directors' and key management personnel remuneration

**Remuneration in respect of directors was as follows:**

| | Year ended 30 January 2022 | Year ended 31 January 2021 |
|---|---|---|
| | £000 | £000 |
| Aggregate emoluments | 430 | 310 |
| Contributions to money purchase pension schemes | 10 | 10 |
| | 440 | 320 |

No directors exercised share options during the year (2021: none).

The highest paid director received total emoluments of £391k (2021: £260k) including £10k (2021: £10k) contributions to money purchase pension schemes.

Both the G Ordinary shares and the B1 Ordinary shares are a long-term incentive scheme as per the Regulations, and therefore require disclosure as directors remuneration.

In relation to the G Ordinary shares, no amounts were paid to, or receivable by, the directors for the year ended 31 January 2021 and 30 January 2022, and therefore no amounts are required to be disclosed.

In relation to the B1 Ordinary shares, no amounts were paid to, or receivable by, the directors for the year ended 31 January 2021 and 30 January 2022, and therefore no amounts are required to be disclosed. Additionally, as the B1 Ordinary shares were not awarded in the year, no amounts are required to be disclosed in relation to shares received or receivable under long-term incentive schemes (2021: None).

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

| | Year ended 30 January 2022 | Year ended 31 January 2021 |
|---|---|---|
| | £000 | £000 |
| Aggregate emoluments | 1,817 | 1,436 |
| Contributions to money purchase pension schemes | 58 | 41 |
| | 1,875 | 1,477 |

## 8. Interest Payable and similar expenses

| | Year ended 30 January 2022 | Year ended 31 January 2021 |
|---|---|---|
| | £000 | £000 |
| Interest expense on bank loans and revolving facility | **147** | 297 |
| Loan note interest | **3,037** | 2,807 |
| Other interest | **39** | - |
| Finance lease interest | **136** | 8 |
| Total interest payable and similar expenses | **3,359** | **3,112** |

*Interest payable for the Company during the year was £0 (2021: £0).*

## 9. Tax on Loss

| | Year ended 30 January 2022 | Year ended 31 January 2021 |
|---|---|---|
| **Current Tax** | £000 | £000 |
| UK Corporation Tax on profit / (loss) for the year | 273 | 352 |
| Foreign corporation tax for the year | 616 | 514 |
| Total Current Tax | 889 | 866 |
| **Deferred Tax** | | |
| Origination and reversal of timing differences - intangible assets | (1,181) | (1,181) |
| Origination and reversal of timing differences - unrelieved losses | 1,129 | 1,966 |
| **Total Deferred Tax** | (52) | 785 |
| **Tax on profit / (loss)** | **837** | **1,651** |

The tax assessed for the period is higher (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

| **Reconciliation of Tax Charge** | Year ended 30 January 2022 | Year ended 31 January 2021 |
|---|---|---|
| | £000 | £000 |
| Loss Before Tax | (10,538) | (7,076) |
| Loss Before Tax multiplied by standard rate of tax in the UK of 19%. (2021: 19%) | (2,002) | (1,344) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 2,424 | 2,728 |
| Deferred tax liability release | (1,181) | (1,181) |
| Deferred tax asset release | 1,129 | 1,966 |
| Timing differences including capital allowances | (234) | (273) |
| Impact of overseas tax rates | 701 | (245) |
| **Tax charge / (credit) for the Year** | **837** | **1,651** |

The impact of recalculating the deferred tax liability using the current UK Corporation Tax rate of 19% would be £3,713k (2021: £3,963k). The amount of unused tax losses carried forward at 30 January 2022 is £3,976k (2021: £10,418k).

The UK Budget from March 2021 announced that the main rate of Corporation Tax will increase to 25% from 1 April 2023. The impact of recalculating the deferred tax liability and asset using 25% would be £49k and £357k respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 10. Intangible assets

| GROUP | Website & Software | Trademarks | Goodwill | Brand Names | Customer Relationships | Total |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost | | | | | | |
| At 1 February 2021 | 10,915 | 479 | 56,750 | 79,400 | 13,000 | 160,544 |
| Additions in the year | 1,926 | - | - | | - | 1,926 |
| Disposals in the year | (621) | - | - | - | - | (621) |
| At 30 January 2022 | 12,220 | 479 | 56,750 | 79,400 | 13,000 | 161,849 |
| Accumulated Amortisation | | | | | | |
| At 1 February 2021 | 9,144 | 459 | 21,630 | 14,056 | 3,211 | 48,500 |
| Charge for the year | 1,288 | 4 | 5,367 | 3,950 | 928 | 11,537 |
| Disposals in the year | (227) | - | | - | - | (227) |
| At 30 January 2022 | 10,205 | 463 | 26,997 | 18,006 | 4,139 | 59,810 |
| Net book value | | | | | | |
| At 31 January 2021 | 1,771 | 20 | 35,120 | 65,344 | 9,789 | 112,044 |
| At 30 January 2022 | 2,015 | 16 | 29,753 | 61,394 | 8,861 | 102,039 |

The individual intangible assets, excluding goodwill which are material to the financial statements compromise intangibles acquired through the acquisition of Rapha Racing Ltd.

| | As at 30 January 2022 | | As at 31 January 2021 | |
|---|---|---|---|---|
| | Net book value £000 | Years remaining | Net book value £000 | Years remaining |
| **Brand Names** | | | | |
| Rapha Racing Ltd | 61,394 | 16 | 65,344 | 17 |
| **Customer Relationships** | | | | |
| Rapha Racing Ltd | 8,861 | 10 | 9,789 | 11 |

COMPANY

The company had no intangible assets at 30 January 2022 (2021: nil).

## 11. Tangible assets

| GROUP | Land & Buildings | Plant & Machinery | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Cost** | | | |
| At 31 January 2021 | 6,511 | 6,673 | 13,184 |
| Additions in the period | 663 | 1,349 | 2,012 |
| At 30 January 2022 | 7,174 | 8,022 | 15,196 |
| **Accumulated depreciation** | | | |
| At 31 January 2021 | 6,364 | 5,861 | 12,225 |
| Charge for the period | 104 | 618 | 722 |
| Exchange adjustments | 82 | 84 | 166 |
| At 30 January 2022 | 6,550 | 6,563 | 13,113 |
| **Net book value** | | | |
| At 31 January 2021 | 147 | 812 | 959 |
| At 30 January 2022 | 624 | 1,459 | 2,083 |

**Company**
The company had no tangible assets at 30 January 2022 (2021: nil).

## 12. Stocks

| Group | Group<br>As at 30 January 2022<br>£000 | Group<br>As at 31 January 2021<br>£000 |
|---|---|---|
| Goods for resale | 39,550 | 18,896 |

Cost of sales charged through the Consolidated Profit and Loss Account in the year totalled £82.1m (2021: £53.1m)

## 13. Debtors

| | Group<br>As at 30 January 2022<br>£000 | Group<br>As at 31 January 2021<br>£000 |
|---|---|---|
| Amounts falling due within one year: | | |
| Trade debtors | 4,229 | 1,755 |
| Other debtors | 40 | 284 |
| Prepayments and accrued income | 3,279 | 2,899 |
| | 7,548 | 4,938 |
| *Amounts falling due after one year:* | | |
| Deferred tax asset | 755 | 1,884 |
| **Total debtors** | 8,303 | 6,822 |

A deferred tax asset has been recognised on unrelieved tax losses on the basis it is probable that they will be recovered against future taxable profits. Losses totalling £6,442k (2021: £6,857k) were offset against the taxable profit in the year.

## 14. Creditors: amounts falling due within one year

| | Group<br>As at 30 January 2022<br>£000 | Group<br>As at 31 January 2021<br>£000 |
|---|---|---|
| Trade creditors | 12,138 | 8,127 |
| Other taxation and social security | 1,544 | 1,698 |
| Other creditors | 3,722 | 3,548 |
| Loans and other borrowings (Note 17) | 7,904 | 2,332 |
| Corporation tax | 779 | 677 |
| Accruals and deferred income | 11,796 | 6,547 |
| | 37,883 | 22,929 |

## 15. Provisions for Liabilities

**Deferred Tax**

*The provision for deferred tax consists of the following deferred tax liabilities:*

| | As at 30 January 2022 | As at 31 January 2021 |
|---|---|---|
| Group | | |
| | £000 | £000 |
| Acquired Intangible Assets | 17,546 | 18,725 |
| Total Provision | 17,546 | 18,725 |

Deferred tax has been unwound in line with amortisation on Brand Names and Customer Relationships.

**Company**

The Company had no deferred tax provision at 30 January 2022 (2021: nil).

## 16. Creditors: amounts falling due after more than one year

| | Group | Company | Group | Company |
|---|---|---|---|---|
| | As at 30 January 2022 | | As at 31 January 2021 | |
| | £000 | £000 | £000 | £000 |
| Loan Notes | 39,908 | - | 36,908 | - |
| Share Based Payment Liability (Note 26) | 7,209 | 7,209 | 2,751 | 2,751 |
| | 47,117 | 7,209 | 39,659 | 2,751 |

**Loan notes**

The Shareholder loan notes are unsecured, subordinated and redeemable on 30 June 2024. Interest is charged at 8%.

## 17. Loans and other borrowings

| | Group | Group |
|---|---|---|
| | As at 30 January 2022 | As at 31 January 2021 |
| | £000 | £000 |
| Revolving Credit Facility | 7,904 | 2,332 |
| | 7,904 | 2,332 |

**Revolving credit facility**

Interest is charged at LIBOR plus 2.35% on the draw-down amount. At year end the total facility size was £8,000,000, maturing in March 2024. In March 2022 an extended RCF agreement was entered into with the bank. The term is 12 months, the facility size is £8,000,000 and interest is charged at LIBOR plus 2.35%.

**Finance leases**

The future minimum finance lease payments at 30 January 2022 is £0 (2021: £0).

## 18. Commitment under Operating Leases

At 30 January 2022 and 31 January 2021 the Group had total commitments under non-cancellable operating leases as shown below. These are set out on when payments are due.

| | Group | Group |
|---|---|---|
| **Payments Due** | **As at 30 January 2022** | **As at 31 January 2021** |
| | **£000** | **£000** |
| **Within 1 Year** | 4,117 | 2,704 |
| **Within 2-5 Years** | 12,668 | 7,880 |
| **After 5 years** | 7,112 | 902 |
| | 23,897 | 11,486 |

The amount payable after 5 years is £7,112k (2021: 902k) and is due in instalments. The terms of repayment vary based on the underlying lease

## 19. Related-Party Transactions

The Company paid the director N D Evans £50k (2021: £50k) in consultancy fees.

The Company paid Bentonville Housing, LLC £30k (2021: £12,000) in rent charges.

The Company recorded a £500k expense (2021: £500k) for monitoring fees due to RZC Investments, LLC This amount remains unpaid at year end.

Other than the transactions disclosed above, the Company's other related party transactions were with wholly owned subsidiaries so have not been disclosed.

The key management personnel of the Company are defined as the directors and senior management. The Directors of Rapha holding growth shares are as follows;

- Nick Evans – G Ordinary shares
- Simon Mottram – G Ordinary shares, B1 Ordinary shares
- Matthew Tarver – none
- Steuart Walton – none.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The senior management of Rapha for the purposes of key management personnel are as follows;

- Mark Buckley - G Ordinary shares, H Ordinary shares
- Dan Blurnire - G Ordinary shares, H Ordinary shares
- Francois Convercey - G Ordinary shares, H Ordinary shares
- Andrew Berks - G Ordinary shares, H Ordinary shares
- Caroline Crosswell - G Ordinary shares, H Ordinary shares

As there is no accounting charge for the B1 Ordinary shares no disclosure is required.

In relation to the G Ordinary shares, key management personnel compensation includes an amount of £1,262k (2021: £724k) in total for Nick Evans and Simon Mottram and £3,155k (2021: 1,809k) for senior management.

### 20. Post-employment Benefits

**Defined Contribution Scheme**
The group operates a defined contribution pension scheme with assets held in a separately administered fund. Amounts charged in the consolidated profit and loss account total £633k (2021: £495k).

### 21. Controlling Party

**Group and Company**
The company is owned by a number of private shareholders and companies. In the opinion of the directors, the company's ultimate controlling party is Lawrence Classics LLC, a company incorporated in the United States.

### 22. Called up Share Capital

**Group and Company**
Allotted, called up and fully paid:

| | No. | £000 |
|---|---|---|
| At 31 January 2021 | 157,614,724 | 1,576 |
| Share buy-back and cancellation | (287,025) | (3) |
| At 30 January 2022 | **157,327,699** | **1,573** |

287,025 B2 shares were bought back by the Company in the year and subsequently cancelled.

The share capital is made up as follows:

| | | As at 30 January 2022 | | As at 31 January 2021 | |
|---|---|---|---|---|---|
| Class | Value of Share | No | Value £000 | No | Value £000 |
| A | 0.01 | **140,470,316** | **1,405** | 140,470,316 | 1,405 |
| B1 | 0.01 | **8,405,023** | **84** | 8,405,023 | 84 |
| B2 | 0.01 | **8,452,360** | **84** | 8,739,385 | 87 |
| | | | **1,573** | | 1,576 |

**B1 and B2 Ordinary shares**
The B1 and B2 Ordinary shares carry the right to vote, and the right to a dividend payment. The holders of these classes of shares are subject to transfer restrictions. The Articles of the Company set out the amounts to be received by these shareholders on a future return of capital or sale of the shares.

## 23. Notes to the statement of cash flows

| | Year ended 30 January 2022 | Year ended 31 January 2021 |
|---|---|---|
| | £000 | £000 |
| **Loss for the financial year** | (11,376) | (8,727) |
| *Adjustments for:* | | |
| Tax on loss on ordinary activities | 837 | 1,651 |
| Net interest expense | 3,359 | 3,112 |
| **Operating loss** | (7,180) | (3,964) |
| Amortisation of intangible assets | 11,537 | 12,923 |
| Depreciation of tangible assets | 722 | 937 |
| Share based payment charge | 4,417 | 2,533 |
| *Working capital movements:* | | |
| (Increase)/Decrease in stocks | (20,653) | 1,480 |
| Increase in debtors | (2,610) | (552) |
| Increase in creditors | 9,280 | 2,348 |
| **Net cash (used in) / generated from operating activities** | (4,487) | 15,705 |

## 24. Exceptional items

Exceptional items can be categorised as follows:

| | Year ended 30 January 2022 | Year ended 31 January 2021 |
|---|---|---|
| | £000 | £000 |
| Legal and professional fees | 658 | 121 |
| Other exceptional costs | 65 | 55 |
| Employee share expense | 4,417 | 2,533 |
| | 5,140 | 2,709 |

*Legal and professional fees include amount paid to restructure the RCF agreement, exceptional recruitment and employee costs, agent fees for the new London head office and a company valuation.*

## 25. Investments

| Group and Company | Group | Company |
|---|---|---|
| | £000 | £000 |
| Cost and Net Book Value | | |
| At 31 January 2021 | - | 159,124 |
| Rapha Racing Ltd - Capital Contribution | - | 4,458 |
| At 30 January 2022 | - | 163,582 |

**Subsidiary undertakings**

The company holds investments either directly or indirectly in the equity share capital of:

| Name | Share Class | Holding | Business | Registered office |
|---|---|---|---|---|
| Rapha Racing Ltd | Ordinary | 100% | Sales | Rapha Works, 4 Elthorne Road, London, N19 4AG |
| Rapha Travel Limited | Ordinary | 100% | Travel | Rapha Works, 4 Elthorne Road, London, N19 4AG |
| Rapha Racing LLC | Ordinary | 100% | Sales | 1915 NW Kearney St, Portlan OR 97209, USA |
| Rapha Racing Kabushiki Kaisha | Ordinary | 100% | Sales | 65-10 Nobeyama, Nagano 384-1305, Japan |
| Rapha Racing PTY Limited | Ordinary | 100% | Sales | 4/410 Crown St, Surry Hills NSW 2010, Australia |
| Rapha Racing BV | Ordinary | 100% | Sales | Wolvenstraat 10 H, 1016EP Amstedam, Netherlands |
| Rapha Limited | Ordinary | 100% | Sales | Suite 3817, 38th Floor, Sutton Court, Hong Kong |
| Rapha Racing Pte Limited | Ordinary | 100% | Sales | 101B Telok Ayer Street, #03-02 068574, Singapore |
| Rapha Racing ApS | Ordinary | 100% | Sales | Amalieegade 12, 1256 Copenhagen K, Denmark |
| Rapha Racing Spain SL | Ordinary | 100% | Sales | Plaza Del Rosario 1, Palma de Mallorca, 07001, Spain |

Rapha Racing Ltd and Rapha Travel Limited have opted to take advantage of the exemption from audit under section 479a of the Companies Act 2006 for the year ended 30 January 2022.

The Company will guarantee the debts and liabilities of the above UK subsidiary undertakings at the balance sheet date in accordance with section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantee as remote.

## 26. Share-Based Payments

### Long-Term Incentive Plan

A subsidiary company has issued shares to certain employees. These shares have certain restrictions on transfer and can be sold to the Company in future option periods between 2023 and 2028, provided the individuals continue in employment with the Group. The future consideration payable is dependent on the performance of the Group in future years, specifically in relation to EBITDA.

The H Ordinary shares have put option periods in each of 2023 and 2024 where the employee can require Carpegna to acquire the shares, provided EBITDA in the most recent year for the Carpegna group is greater than £10 million. The price paid for the shares is based on the EBITDA achieved (up to £13 million), with a price ranging from £400 - £1,000 per share. The method of settlement is cash. There are tag-along/drag-along rights on a sale or listing of the Company or Carpegna, and Carpegna has a call option to purchase the shares on a future sale. There are various Good leaver, Bad leaver and For Cause leaver terms.

The G Ordinary shares have put option periods in each of 2026, 2027 and 2028 where the employee can require Carpegna to acquire the shares. The price paid for the shares is based on the waterfall set out in the Articles, calculated using EBITDA in the most recent year, multiplied by 14, and adjusted for net debt and net working capital at that time. The method of settlement is cash. There are tag-along/drag-along rights on a sale or listing of the Company or Carpegna, and Carpegna has a call option to purchase the shares on a future sale. There are various Good leaver, Bad leaver and For Cause leaver terms.

The J Ordinary shares have a put option period in 2029 where the employee can require Carpegna to acquire the shares. The price paid for the shares is based on the waterfall set out in the Articles, calculated using EBITDA in the most recent year, multiplied by 14, and adjusted for net debt and net working capital at that time. The method of settlement is cash. There are tag-along/drag-along rights on a sale or listing of the Company or Carpegna, and Carpegna has a call option to purchase the shares on a future sale. There are various Good leaver, Bad leaver and For Cause leaver terms.

The expense recognised in the year in relation to the long-term incentive plan is £3,814k (2021: £2,533k).

### B1 Shares

The company has previously issued shares to a director of the Company. These shares have certain restrictions on transfer and can be sold to the Company or another shareholder in the Company in future option periods between 2021 and 2023, provided the individuals continue in employment with the Group.

This arrangement is split into two parts, with half classified as an equity-settled share-based payment arrangement and half classified as a cash-settled share-based payment.

The grant-date fair value of the equity-settled share-based payment is £nil, and therefore no charge has been recognised in the profit and loss account for the years ended 30 January 2022 or 31 January 2021.

The cash-settled share-based payment liability is £0 at 30 January 2022 and 31 January 2021.