**Registered number: 08583700**

# ITS CYCLING LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE PERIOD ENDED 30 SEPTEMBER 2022

**CONTENTS**

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | P J Marchment<br>T R Marchment<br>D L Gillborn<br>D M Marchment<br>N D Marchment<br>G M Ross |
| **Registered number** | 08583700 |
| **Registered office** | Unit 8 Huffwood Trading Estate<br>Partridge Green<br>Horsham<br>RH13 8AU |
| **Independent auditors** | PricewaterhouseCoopers LLP<br>Chartered Accountants and Statutory Auditors<br>7 More London Place<br>London<br>SE1 2RT |

## GROUP STRATEGIC REPORT
## FOR THE PERIOD ENDED 30 SEPTEMBER 2022

The directors present the Strategic Report of ITS Cycling Limited (the "Company") and its subsidiary undertakings (together the "Group") for the period ended 30 September 2022.

The Company changed its accounting period from 31 December 2022 to 30 September 2022. These financial statements have been prepared for the 9 month period ended 30 September 2022 along with a comparative 12 month period ended 31 December 2021.

### Business review

The principal activities of the Group are the design, engineering, and distribution of purpose focused performance cycling products. Currently this includes our internally owned and developed brands: Hunt Bike Wheels, Privateer Mountain Bikes, Cairn Cycles and Dissent 133 Weather Protection Equipment.

The business saw continued year on year growth from the same period in 2021. Supply chain constraints eased during the period. Input costs increased as a result of raw materials and fuel price rises, although mitigated in part by a normalisation of demand for container shipping. In the third quarter pressures on living costs saw flattening of consumer demand.

Continued product development, improved supply and launches of new products in key market sectors helped to ensure continued growth in sales.

A strong dedication to customer service that is inherent to the Group at every level ensures customer loyalty, with the business maintaining its independent Trustpilot score of 4.82/5 throughout the financial period and a net promoter score of +83, a slight improvement on the previous year.

The Group has fortnightly working groups to review and improve its performance in sustainability and justice, equity, diversity and inclusion. The Company has further reduced dependence on air-freight and is working closely with suppliers to begin measuring and reducing environmental impact during the production and shipping process for its products. The Company has provided £43,777 of financial support to charities and causes including those promoting social justice and inclusion both inside and outside of cycling.

### Financial key performance indicators

The directors monitor several key performance indicators ("KPIs") including turnover, profit before taxation and profit before tax margin.

| KPI | **Company 9 month period ended 30 September 2022** | Company Year ended 31 December 2021 | **Group 9 month period ended 30 September 2022** | Group Year ended 31 December 2021 |
|---|---|---|---|---|
| Turnover | **14,298,479** | 16,476,379 | **15,795,056** | 17,356,474 |
| Profit before taxation | **443,826** | 1,229,810 | **592,136** | 1,186,271 |
| PBT margin | **3%** | 7% | **4%** | 7% |

### Research and development

A summary of the Group's research and development activity is included in the Directors' Report.

## Future developments

The Group continues its work to develop the best available performance cycling products. Investment in engineering capability, new product development, logistics, supply chain and internationalisation continues to deliver growth and meet the demands of devoted riders. Strong growth in the USA market has continued and the Group is advancing plans to establish marketing, customer support and logistics capabilities within the EU to further expand on its existing EU sales.

The Group is committed to making a positive impact and will continue to develop in this regard during 2023 with further commitments on its environmental and climate impact, continued support for social justice causes and a strong focus on improving representation in its leadership, colleagues, athlete partners and customers. Internal procedures and practices will be reviewed to ensure progress on these measures continues.

## Principal risks and uncertainties

There are risks and uncertainties which may impact the performance of the business, some of which are not in the control of the directors. These are regularly discussed in weekly and monthly management meetings and are monitored with a risk register. The impacts on short term and long term performance are considered and actions agreed accordingly.

The principal risks and uncertainties are outlined below:

***Credit risk***
The Group has stringent policies to minimize credit losses. Credit sales, which are rare and not the normal course of business, are exclusively granted to customers with a proven payment history. Ongoing customer creditworthiness reviews and proactive communication effectively mitigate risks, ensuring financial stability.

***Inflation, consumer spending, and cost of living pressures***
Due to increased inflation and subsequent interest rate hikes, consumer spending has experienced a slowdown, which is projected to persist until the end of 2023 and potentially extend into 2024. In response to this challenging environment, the Group has realigned its operations to reduce costs and safeguard revenue wherever feasible.

***Bicycle industry market conditions***
Following rapidly increased demand during the covid-19 pandemic a tight supply environment led to many cycling industry companies increasing orders and production. Industry trends have seen demand reduce overall to a level closer to, but still above, pre-pandemic demand. That has led to oversupply of bikes and components in places. Downward price pressures are a possibility if industry surpluses are not reduced. The Group is carefully managing stock levels, and ensuring that product development and innovation continues to ensure the Group's products show a proven benefit to riders versus competitor products.

***Liquidity & cashflow risk***
The Group maintains an advanced financial model and detailed cash management tool to ensure sufficient funds are available for the Group to meet its obligations and maintain operations. Additionally, the Group is committed to actively collaborating with its bank to address and seek waivers for any potential breaches of debt covenants, thus ensuring ongoing compliance and financial stability. Expenditure and stock inflows are continually monitored and adjusted to meet demand and ensure sufficient cash availability.

***Exchange rate risk***
The Group has sales in multiple currencies. Currency flows are monitored and forecasted with forward purchasing used where necessary to manage any larger currency risks.

***Pricing and cost risk***
The Group actively manages costs, working with suppliers to enhance efficiency and leverage scale to continuously deliver more performance at a better cost for its riders. The directors believe that this scale and efficient business model can ensure a pricing advantage over competitor products. In addition, commitment to developing new technologies can ensure that the Group delivers products to consumers with enhanced performance over similarly priced competitors.

**Principal risks and uncertainties (continued)**

***Insured risks***
The Group maintains insurance policies for both public and corporate liability and stock loss risks.

This report was approved by the board and signed on its behalf by:

DocuSigned by:
Peter Marchment
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**P J Marchment**
Director

Date: 26th July 2023

# DIRECTORS' REPORT
# FOR THE PERIOD ENDED 30 SEPTEMBER 2022

The directors present their annual report and the audited consolidated financial statements of ITS Cycling Limited (the "Company") and its subsidiary undertakings (together the "Group") for the period ended 30 September 2022.

## Principal activities

The principal activities of the Group are the design, engineering, and distribution of purpose focused performance cycling products. Currently this includes our internally owned and developed brands: Hunt Bike Wheels, Privateer Mountain Bikes, Cairn Cycles and Dissent 133 Weather Protection Equipment.

## Results and dividends

The profit for the financial period amounted to £561,022 (year ended 31 December 2021: £1,062,683).

The dividends declared during the period amount to £70,192 (year ended 31 December 2021: £146,560). The dividends paid during the period amount to £109,440 (year ended 31 December 2021: £112,960). All dividends declared during the period have been paid.

## Directors

The directors who served during the period and up to the date of signing the financial statements, unless otherwise stated, were:

P J Marchment
T R Marchment
D L Gillborn
D M Marchment
N D Marchment
G M Ross

## Going concern

The purpose of this section is to disclose a material uncertainty related to the going concern assumption in the preparation of the statutory financial statements (the "accounts") of ITS Cycling Limited and its subsidiary (the "Group") for the 9 month period ended 30 September 2022.

The business currently relies upon the facilities provided by the bank remaining in place and there is a material uncertainty relating to this given that the Group experienced a breach, after the period end, against one of the original banking covenants associated with the two facilities provided by the bank. This breach has resulted in the suspension of the original banking covenants and the bank has indicated its continued support for ITS Cycling Limited by maintaining both banking facilities at their original funding levels alongside the provision of revised short-term covenants through to the end of September 2023. This demonstrates the bank's ongoing commitment to our business and confidence in our ability to fulfil our financial obligations.

The bank have provided a going concern comfort letter stating their intentions to continue to support the Group for the next 12 months on the basis of the facilities already in place. The bank are aware that it is possible further covenant breaches may occur and as a result have indicated that they may look to reset future covenants. However, any such reset would only occur at a time when market conditions have settled sufficiently in order to allow more accurate forecasting than could be achieved at the current time. If any further covenant breaches take place prior to such a reset, or if any other breaches of the Facility Documentation occur, these will be reviewed on an ad-hoc basis. This uncertainty over whether the business will be able to negotiate new covenants such that the facilities will be renewed and whether the business will be able to meet such covenants in the future means that there is a material uncertainty regarding the Group's ability to meet these unknown covenants which has an impact on the application of the going concern assumption to these accounts.

## DIRECTORS' REPORT (CONTINUED)
## FOR THE PERIOD ENDED 30 SEPTEMBER 2022

### Going concern (continued)

Despite the material uncertainty, the directors have performed a detailed assessment of the Group's ability to continue as a going concern including modelling a severe but plausible downside scenario which forecasts the impacts of a 20% drop in forecasted sales. This assessment considers various factors, including cash flow forecasts, liquidity position, profitability, and available financial resources. The models do not forecast any further drawdown of the available revolving credit facility above what is currently being used in either a base case or severe but plausible scenario.

The directors are confident in the Group's ability to continue as a going concern, primarily due to the ongoing support received from Santander and the successful management of the business since the breach of the original covenants at the end of January 2023.

Furthermore, the Group has taken additional measures to address the causes of the covenant breach and strengthen our financial position. These measures include implementing tighter financial controls, cost savings, improving cash flow management, seeking alternative sources of financing, and exploring opportunities to diversify & increase our revenue streams.

The directors remain actively engaged in discussions with the bank to negotiate the provision of long-term covenants beyond September 2023. These discussions aim to establish a mutually beneficial banking relationship that provides the necessary financial support and stability for the Company's continued operations through to the end of these banking facilities in May 2027.

In addition to the above, the repayment of the bond is due in November 2024. The management team is currently assessing the available options. It is important to note that, at present, no definitive financial decisions have been reached. Consequently, there is an element of uncertainty surrounding the forthcoming bond repayment. The Company remains committed to diligently exploring all potential avenues to ensure a favourable outcome for stakeholders.

ITS Cycling Limited is considered a going concern based on the directors' assessment, which considers the ongoing support received from the bank and the directors' plans implemented since January 2023 to address the material uncertainty. The directors have concluded that, after due consideration, there is reasonable expectation that the Group and Company has adequate resources to continue for at least 12 months from the date of signing the Financial Statements. For this reason, they continue to adopt the going concern basis in preparing these Financial Statements. The Financial Statements do not contain the adjustments that would arise if the Group and the Company were unable to continue as a going concern.

### Principal risks and uncertainties

The Group's risks are discussed in the Strategic Report on pages 2 to 4.

### Future developments

The Group's details are discussed in the Strategic Report on pages 2 to 4.

### Research and development activities

During the financial year, the Group has made investments in research and development, with a primary focus on revolutionizing bike wheel and bike technologies. Through the integration of advanced materials, aerodynamic designs, and precision engineering, we have successfully introduced innovative bike wheels and cutting-edge bikes that always prioritize serving the rider as a top priority. Our unwavering commitment to putting the rider first has positioned us as a leader in the industry, setting new benchmarks and transforming the cycling landscape. We will continue to invest in R&D activities to drive further innovations and empower cyclists with exceptional products that enhance their riding.

## DIRECTORS' REPORT (CONTINUED)
## FOR THE PERIOD ENDED 30 SEPTEMBER 2022

### Qualifying third party indemnity provisions

During the financial period and up to the date of this report, the Group maintained liability insurance for its Directors. The Group also provides an indemnity for its Directors, which is a qualifying third party provision.

### Branches outside the United Kingdom

The Company is based in the United Kingdom with a separate entity in the United States of America (USA).

### 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.

### Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for appointment in accordance with section 485 of the Companies Act 2006.

## DIRECTORS' REPORT (CONTINUED)
## FOR THE PERIOD ENDED 30 SEPTEMBER 2022

This report was approved by the board and signed on its behalf by:

DocuSigned by:
Peter Marchment
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**P J Marchment**
Director

Date: 26th July 2023

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ITS CYCLING LIMITED

# Report on the audit of the financial statements

## Opinion

In our opinion, ITS Cycling Limited'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 September 2022 and of the Group's profit and the Group's cash flows for the 9 month period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 and Financial Statements (the "Annual Report"), which comprise: the Consolidated Balance Sheet and Company Balance Sheet as at 30 September 2022; the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Company Statement 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.

## Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's and the Company's ability to continue as a going concern. As detailed in note 2, following the breach of the covenants, management have renegotiated the covenants of the facilities on a short term basis until the end of September 2023, and have obtained a waiver in relation to the covenant breach. Management are currently in negotiations to renegotiate the covenants past 30 September 2023 which have not been finalised as of the date of the financial statements. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

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.

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

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ITS CYCLING LIMITED (CONTINUED)

### 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 September 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 Directors' responsibilities statement, 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 UK corporate tax compliance, 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 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 inappropriate posting of journals to manipulate the financial statements in particular to overstate revenue or understate costs and the application of management bias in accounting estimates. Audit procedures performed by the engagement team included:

### Responsibilities for the financial statements and the audit (continued)

*Auditors' responsibilities for the audit of the financial statements (continued)*

- Discussions with management at multiple levels across the business throughout the period. These discussions have included consideration of known or suspected instances of fraud and non-compliance with laws and regulations;
- Reviewing minutes of meetings of those charged with governance;
- Performing audit procedures to address the risk of management override of controls, including testing journal entries that met our fraud criteria, evaluating the business rationale of significant transactions outside the normal course of business, and assessment of significant estimates by management;
- Incorporating elements of unpredictability into the audit procedures performed; and
- Financial statement review procedures in relation to Companies Act 2006 requirements.

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 directors 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.

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

Date: 26 July 2023

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2022

| | Note | 9 month period ended 30 September 2022 £ | Year ended 31 December 2021 £ |
|---|---|---|---|
| Turnover | 4 | **15,795,056** | 17,356,474 |
| Cost of sales | | **(10,725,145)** | (11,240,837) |
| **Gross profit** | | **5,069,911** | 6,115,637 |
| Administrative expenses | | **(4,406,739)** | (4,880,867) |
| Other operating income | 5 | **76,584** | 12,635 |
| **Operating profit** | 6 | **739,756** | 1,247,405 |
| Interest receivable and similar income | 10 | **239** | 228 |
| Interest payable and similar expenses | 11 | **(147,859)** | (61,362) |
| **Profit before taxation** | | **592,136** | 1,186,271 |
| Tax on profit | 12 | **(31,114)** | (123,588) |
| **Profit for the financial period/year** | | **561,022** | 1,062,683 |
| **Total comprehensive income for the financial period/year** | | **561,022** | 1,062,683 |
| **Profit for the financial period/year attributable to:** | | | |
| Owners of the parent Company | | **561,022** | 1,062,683 |

There were no recognised gains and losses for 2022 or 2021 other than those included in the Consolidated Statement of Comprehensive Income.

All results relate to continuing operations.

The notes on pages 21 to 49 form part of these financial statements.

**ITS CYCLING LIMITED**
**REGISTERED NUMBER: 08583700**

**CONSOLIDATED BALANCE SHEET**
**AS AT 30 SEPTEMBER 2022**

| | Note | | 30 September 2022 £ | | 31 December 2021 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 13 | | **1,025,223** | | 533,783 |
| Tangible assets | 14 | | **201,117** | | 152,840 |
| | | | **1,226,340** | | 686,623 |
| **Current assets** | | | | | |
| Stocks | 16 | **4,164,409** | | 4,375,570 | |
| Debtors | 17 | **421,479** | | 378,604 | |
| Cash at bank and in hand | 18 | **2,038,421** | | 2,275,223 | |
| | | **6,624,309** | | 7,029,397 | |
| Creditors: amounts falling due within one year | 19 | **(2,825,497)** | | (3,724,096) | |
| **Net current assets** | | | **3,798,812** | | 3,305,301 |
| **Total assets less current liabilities** | | | **5,025,152** | | 3,991,924 |
| Creditors: amounts falling due after more than one year | 20 | | **(2,048,468)** | | (1,657,286) |
| **Provisions for liabilities** | | | | | |
| Deferred taxation | 23 | **(250,661)** | | (134,854) | |
| Other provisions | 24 | **(283,532)** | | (351,699) | |
| | | | **(534,193)** | | (486,553) |
| **Net assets** | | | **2,442,491** | | 1,848,085 |
| **Capital and reserves** | | | | | |
| Called up share capital | 25 | | **320** | | 320 |
| Share premium account | 26 | | **299,984** | | 299,984 |
| Share option reserve | 26 | | **103,576** | | - |
| Profit and loss account | 26 | | **2,038,611** | | 1,547,781 |
| **Total shareholders' funds** | | | **2,442,491** | | 1,848,085 |

**ITS CYCLING LIMITED**
**REGISTERED NUMBER: 08583700**

**CONSOLIDATED BALANCE SHEET (CONTINUED)**
**AS AT 30 SEPTEMBER 2022**

The financial statements on pages 12 to 49 were approved by the Board of Directors and signed on its behalf by:

DocuSigned by:
Peter Marchment
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**P J Marchment**
Director

Date: 26th July 2023

The notes on pages 21 to 49 form part of these financial statements.

**ITS CYCLING LIMITED**
**REGISTERED NUMBER: 08583700**

## COMPANY BALANCE SHEET
## AS AT 30 SEPTEMBER 2022

| | Note | | 30 September 2022 £ | | 31 December 2021 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 13 | | **1,025,223** | | 533,783 |
| Tangible assets | 14 | | **156,610** | | 112,696 |
| Investments | 15 | | **10** | | 10 |
| | | | **1,181,843** | | 646,489 |
| **Current assets** | | | | | |
| Stocks | 16 | **4,164,409** | | 4,375,570 | |
| Debtors | 17 | **406,017** | | 433,298 | |
| Cash at bank and in hand | 18 | **1,933,175** | | 1,933,881 | |
| | | **6,503,601** | | 6,742,749 | |
| Creditors: amounts falling due within one year | 19 | **(2,782,625)** | | (3,331,785) | |
| **Net current assets** | | | **3,720,976** | | 3,410,964 |
| **Total assets less current liabilities** | | | **4,902,819** | | 4,057,453 |
| Creditors: amounts falling due after more than one year | 20 | | **(2,048,468)** | | (1,657,286) |
| **Provisions for liabilities** | | | | | |
| Deferred taxation | 23 | **(250,661)** | | (134,854) | |
| Other provisions | 24 | **(217,477)** | | (335,453) | |
| | | | **(468,138)** | | (470,307) |
| **Net assets** | | | **2,386,213** | | 1,929,860 |
| **Capital and reserves** | | | | | |
| Called up share capital | 25 | | **320** | | 320 |
| Share premium account | 26 | | **299,984** | | 299,984 |
| Share option reserve | 26 | | **103,576** | | - |
| Profit and loss account | 26 | | **1,982,333** | | 1,629,556 |
| **Total shareholders' funds** | | | **2,386,213** | | 1,929,860 |

**ITS CYCLING LIMITED**
**REGISTERED NUMBER: 08583700**

**COMPANY BALANCE SHEET (CONTINUED)**
**AS AT 30 SEPTEMBER 2022**

The financial statements on pages 12 to 49 were approved by the Board of Directors and signed on its behalf by:

DocuSigned by:
Peter Marchment
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**P J Marchment**
Director

Date: 26th July 2023

The notes on pages 21 to 49 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2022

| | Called up share capital | Share premium account | Share option reserve | Profit and loss account | Total shareholders' funds |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **At 1 January 2021** | **320** | **299,984** | **-** | **631,658** | **931,962** |
| **Comprehensive income for the financial year** | | | | | |
| Profit for the financial year | - | - | - | 1,062,683 | 1,062,683 |
| **Total comprehensive income for the financial year** | - | - | - | **1,062,683** | **1,062,683** |
| **Contributions by and distributions to owners** | | | | | |
| Dividends: Equity capital | - | - | - | (146,560) | (146,560) |
| **Total transactions with owners** | - | - | - | **(146,560)** | **(146,560)** |
| **At 31 December 2021 and 1 January 2022** | **320** | **299,984** | **-** | **1,547,781** | **1,848,085** |
| **Comprehensive income for the financial period** | | | | | |
| Profit for the financial period | - | - | - | 561,022 | 561,022 |
| **Total comprehensive income for the financial period** | - | - | - | **561,022** | **561,022** |
| **Contributions by and distributions to owners** | | | | | |
| Dividends: Equity capital | - | - | - | (70,192) | (70,192) |
| Share-based payment expense | - | - | 103,576 | - | 103,576 |
| **Total transactions with owners** | - | - | **103,576** | **(70,192)** | **33,384** |
| **At 30 September 2022** | **320** | **299,984** | **103,576** | **2,038,611** | **2,442,491** |

The notes on pages 21 to 49 form part of these financial statements.

## COMPANY STATEMENT OF CHANGES IN EQUITY
## FOR THE PERIOD ENDED 30 SEPTEMBER 2022

| | Called up share capital | Share premium account | Share option reserve | Profit and loss account | Total shareholders' funds |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **At 1 January 2021** | 320 | 299,984 | - | 669,894 | 970,198 |
| **Comprehensive income for the financial year** | | | | | |
| Profit for the financial year | - | - | - | 1,106,222 | 1,106,222 |
| **Total comprehensive income for the financial year** | - | - | - | 1,106,222 | 1,106,222 |
| **Contributions by and distributions to owners** | | | | | |
| Dividends: Equity capital | - | - | - | (146,560) | (146,560) |
| **Total transactions with owners** | - | - | - | (146,560) | (146,560) |
| **At 31 December 2021 and 1 January 2022** | 320 | 299,984 | - | 1,629,556 | 1,929,860 |
| **Comprehensive income for the financial period** | | | | | |
| Profit for the financial period | - | - | - | 422,969 | 422,969 |
| **Total comprehensive income for the financial period** | - | - | - | 422,969 | 422,969 |
| **Contributions by and distributions to owners** | | | | | |
| Dividends: Equity capital | - | - | - | (70,192) | (70,192) |
| Share-based payment expense | - | - | 103,576 | - | 103,576 |
| **Total transactions with owners** | - | - | 103,576 | (70,192) | 33,384 |
| **At 30 September 2022** | 320 | 299,984 | 103,576 | 1,982,333 | 2,386,213 |

The notes on pages 21 to 49 form part of these financial statements.

**ITS CYCLING LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

| | 9 month period ended 30 September 2022 £ | Year ended 31 December 2021 £ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the financial period/year | **561,022** | 1,062,683 |
| **Adjustments for:** | | |
| Amortisation of intangible assets | **30,683** | 94,491 |
| Amortisation of intangible assets - prior year adjustment (note 13) | **(93,661)** | - |
| Impairment of intangible assets | **30,385** | - |
| Depreciation of tangible assets | **43,536** | 36,356 |
| Interest paid | **147,859** | 61,362 |
| Interest received | **(239)** | (228) |
| Taxation charge | **31,114** | 123,588 |
| Decrease/(increase) in stocks | **211,185** | (2,839,968) |
| Decrease in debtors | **49,469** | 218,545 |
| (Decrease)/increase in creditors | **(1,370,386)** | 1,014,129 |
| (Decrease)/increase in provisions | **(68,167)** | 95,828 |
| Corporation tax (paid)/received | **(405)** | 72,677 |
| Share-based payment expense | **103,576** | - |
| **Net cash used in operating activities** | **(324,029)** | (60,537) |
| **Cash flows from investing activities** | | |
| Purchase of intangible assets | **(505,027)** | (628,274) |
| Purchase of intangible assets - prior year adjustment | **46,180** | - |
| Purchase of tangible assets | **(82,809)** | (89,896) |
| Interest received | **239** | 228 |
| HP interest paid | **-** | (3,566) |
| **Net cash used in investing activities** | **(541,417)** | (721,508) |
| **Cash flows from financing activities** | | |
| Repayment of loans | **(83,965)** | (165,193) |
| Other new loans | **1,000,000** | 1,196,123 |
| Repayment of finance leases | **(13,945)** | (17,754) |
| Dividends paid | **(109,440)** | (112,960) |
| Interest paid | **(147,859)** | (57,796) |
| **Net cash generated from financing activities** | **644,791** | 842,420 |

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE PERIOD ENDED 30 SEPTEMBER 2022

| | 30 September 2022 £ | 31 December 2021 £ |
|---|---|---|
| **Net (decrease)/increase in cash and cash equivalents** | **(220,655)** | 60,375 |
| Cash and cash equivalents at beginning of the financial period/year | **2,223,567** | 2,163,192 |
| Foreign exchange gains and losses | - | - |
| **Cash and cash equivalents at the end of the financial period/year** | **2,002,912** | 2,223,567 |
| **Cash and cash equivalents at the end of the financial period/year comprise:** | | |
| Cash at bank and in hand | **2,038,421** | 2,275,223 |
| Bank overdrafts | **(35,509)** | (51,656) |
| | **2,002,912** | 2,223,567 |

The notes on pages 21 to 49 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

## 1. General information

ITS Cycling Limited (the "Company") through its subsidiary (together the "Group") is a private company, limited by shares and incorporated in the United Kingdom. Its registered office is Unit 8 Huffwood Trading Estate, Partridge Green, Horsham, RH13 8AU, England.

The Company changed its accounting period from 31 December 2022 to 30 September 2022. These financial statements have been prepared for the 9 month period ended 30 September 2022 along with a comparative 12 month period ended 31 December 2021. The change was made to time better with the Group's operations.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, 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.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

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

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied consistently throughout the period:

### 2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

## 2. Accounting policies (continued)

### 2.3 Exemptions for qualifying entities under FRS 102

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 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 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

### 2.4 Going concern

The financial statements are prepared on a going concern basis, acknowledging a material uncertainty regarding the Group's and Company's reliance on facilities provided. In the period after year end, the Group experienced a breach against one of the original banking covenants associated with the two facilities provided. This breach has resulted in the suspension of the original banking covenants, but the bank has indicated its continued support for Group and Company by maintaining both banking facilities at their original funding levels alongside a waiver and the provision of revised short-term covenants through to the end of September 2023.

Furthermore, the bank has indicated that they will support the Group as a going concern for the next 12 months based on the existing facilities. However, they acknowledge the possibility of future covenant breaches and may consider resetting the covenants when market conditions stabilize for more accurate forecasting. If any further breaches occur before the reset or if there are other breaches in the Facility Documentation, they will be reviewed on an ad-hoc basis.

In addition to the above, there is a bond repayment of £1.19 million due in November 2024. The management team is currently assessing the available options. It is important to note that, at present, no definitive financial decisions have been reached. Consequently, there is uncertainty surrounding the forthcoming bond repayment. The Company remains committed to diligently exploring all potential avenues to ensure a favourable outcome for stakeholders.

These conditions indicate the existence of a material uncertainty which may cast significant doubts on the Group's and Company's ability to continue as a going concern.

The Group and Company are considered a going concern based on the directors' assessments, which considers the ongoing support received from the bank and the directors' plans implemented since January 2023 to address the causes for the material uncertainty. The directors have concluded that, after due consideration, there is reasonable expectation that the Group and Company has adequate resources to continue for at least 12 months from the date of signing the Financial Statements. For this reason, they continue to adopt the going concern basis in preparing these Financial Statements. The Financial Statements do not contain the adjustments that would arise if the Group and the Company were unable to continue as a going concern.

**2. Accounting policies (continued)**

**2.5 Foreign currency translation**

**Functional and presentation currency**

The Group's functional and presentational currency is GBP.

**Transactions and balances**

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 that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within administrative expenses'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in the Consolidated Statement of Comprehensive Income.

**2.6 Turnover**

Turnover comprises revenue recognised by the Group in respect of the creation and distribution of performance bicycle products during the year, exclusive of Value Added Tax. Revenue is recognised as the fair value of the consideration received or receivable and is recognised at the point the sale is made and the Group has transferred the significant risks and rewards of ownership to the buyer.

**2.7 Operating leases**

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

**2.8 Government grants**

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

**2.9 Interest income**

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

## 2. Accounting policies (continued)

### 2.10 Finance costs

Finance costs are charged to the Consolidated 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.

### 2.11 Borrowing costs

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

### 2.12 Share-based payments

The Group provides share-based payment arrangements to certain employees.

Equity-settled arrangements are measured at fair value (excluding the effect of non–market based vesting conditions) at the date of the grant. FV expensed based on tranche accounting over the vesting period in line with the EMI scheme. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.

Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share-based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the income statement.

The Group has no cash-settled arrangements.

### 2.13 Pensions

**Defined contribution pension plan**

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

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

## 2. Accounting policies (continued)

### 2.14 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge 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 Balance Sheet date in the countries where the Company and the Group operate and generate income.

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

- 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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 Balance Sheet date.

### 2.15 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic life of 50% or 33% straight line depending on projected sales for each intangible asset.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

### 2.16 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

| | | |
|---|---|---|
| Development expenditure | - | 50% or 33% straight line depending on projected sales for each intangible asset |

## 2. Accounting policies (continued)

### 2.17 Tangible assets

Tangible 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.

Depreciation is provided on the following basis:

| | |
|---|---|
| Motor vehicles | - 25% |
| Computer equipment | - 33% |
| Other fixed assets | - 33% |

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 Consolidated Statement of Comprehensive Income.

### 2.18 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

### 2.19 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 first in, first out basis.

At each Balance Sheet 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 the Consolidated Statement of Comprehensive Income.

### 2.20 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.

### 2.21 Deferred income

Deferred income represents deposits paid for products that are currently unavailable in inventory, ordered by customers on a pre-order basis.

## 2. Accounting policies (continued)

### 2.22 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.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

### 2.23 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.

### 2.24 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group 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 Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet 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 Balance Sheet.

The Group has an obligation under its repairs/returns policy for a period of three years from the date of sale. Provisions held relate to warranty provisions in relation to these repairs/returns.

## 2. Accounting policies (continued)

### 2.25 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares. The financial statements have been prepared in accordance with the requirements of sections 11 and 12 of FRS 102, ensuring compliance with the applicable accounting standards.

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 debtors and creditors, 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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 Consolidated 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.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the Balance Sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet 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.

### 2.26 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

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

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

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

***Warranty provision***
The Group has an obligation under its warranty policy, which extends for a period of three years from the date of sale. Provisions are maintained to cover potential warranty-related expenses arising from repairs or returns. Key judgments are applied in assessing these provisions, considering factors such as return rates, warranty duration, and the average cost required for repair.

***Capitalised development costs***
The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management judgement that technological and economic feasibility is confirmed. For the financial period ended 30 September 2022 additions amounted to £505,027 (year ended 31 December 2021: £628,274). The Group amortises these costs 50% or 33% straight line depending on projected sales for each intangible asset. Impairment made within the financial period ending 30 September 2022 amounted to £30,385 (year ended 31 December 2021: £Nil).

## 4. Turnover

The whole of the turnover is attributable to the principal activity of the business.

Analysis of turnover by country of destination:

| | **9 month period ended 30 September 2022 £** | Year ended 31 December 2021 £ |
|---|---|---|
| United Kingdom | **6,831,528** | 9,224,669 |
| United States | **5,343,697** | 4,257,917 |
| Europe | **2,054,648** | 1,901,138 |
| Rest of the World | **1,565,183** | 1,972,750 |
| | **15,795,056** | 17,356,474 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2022

### 5. Other operating income

| | **9 month period ended 30 September 2022** | Year ended 31 December 2021 |
|---|---|---|
| | **£** | £ |
| Other operating income | **9,382** | - |
| Government grants receivable | **-** | 12,635 |
| Commissions receivable | **67,202** | - |
| | **76,584** | 12,635 |

Other operating income represents cash back received from payment providers.

Government grants represent amounts receivable under the Coronavirus Business Interruption Loan Scheme (CBILS).

Commissions receivable represents commission from agents.

### 6. Operating profit

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

| | **9 month period ended 30 September 2022** | Year ended 31 December 2021 |
|---|---|---|
| | **£** | £ |
| Net (profit)/loss on foreign currency translation | **(585,358)** | 83,855 |
| Amortisation of intangible assets | **30,683** | 94,491 |
| Amortisation of intangible assets - prior year adjustment* | **(93,661)** | - |
| Impairment of intangible assets | **30,385** | - |
| Depreciation of owned tangible assets | **18,347** | 6,687 |
| Depreciation of tangible assets held under finance leases and hire purchase contracts | **25,189** | 29,669 |
| Provision for maintenance warranties | **(68,167)** | 95,828 |
| Operating lease rentals - land and buildings | **178,372** | 87,987 |
| Operating lease rentals - motor vehicles | **6,442** | - |
| Research and development charged as an expense | **15,567** | - |

* See note 13 on intangible assets for further details.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE PERIOD ENDED 30 SEPTEMBER 2022

### 7. Auditors' remuneration

| | 9 month period ended 30 September 2022 £ | Year ended 31 December 2021 £ |
|---|---|---|
| Fees payable to the Group's auditors for the audit of the Group's and parent company annual financial statements | **85,800** | 22,000 |

**Fees payable to the Group's auditors in respect of:**

| | | |
|---|---|---|
| Taxation compliance services | **7,719** | - |
| Taxation advisory services | **28,100** | - |
| All other services | **5,300** | 6,700 |
| | **41,119** | 6,700 |

### 8. Employees

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

| | Group 9 month period ended 30 September 2022 £ | Group Year ended 31 December 2021 £ | Company 9 month period ended 30 September 2022 £ | Company Year ended 31 December 2021 £ |
|---|---|---|---|---|
| Wages and salaries | **2,485,140** | 2,736,327 | **2,045,833** | 2,324,754 |
| Social security costs | **289,126** | 269,965 | **196,453** | 234,821 |
| Other pension costs | **75,188** | 70,817 | **71,016** | 70,817 |
| Share-based payment expense | **103,576** | - | **103,576** | - |
| | **2,953,030** | 3,077,109 | **2,416,878** | 2,630,392 |

Staff costs are stated gross of capitalised development costs of £220,563 (year ended 31 December 2021: £430,339), including social security of £28,570 (year ended 31 December 2021: £40,117) and cost of defined contribution scheme of £7,079 (year ended 31 December 2021: £12,643).

## 8. Employees (continued)

The average monthly number of employees, including the directors, during the period/year was as follows:

| | **Group 9 month period ended 30 September 2022** | Group Year ended 31 December 2021 | **Company 9 month period ended 30 September 2022** | Company Year ended 31 December 2021 |
|---|---|---|---|---|
| | **Number** | Number | **Number** | Number |
| Finance & admin | **7** | 5 | 7 | 5 |
| Operations | **42** | 35 | 37 | 32 |
| Sales & marketing | **31** | 24 | 26 | 20 |
| | **80** | 64 | 70 | 57 |

### Key management compensation

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

| | **Group 9 month period ended 30 September 2022** | Group Year ended 31 December 2021 | **Company 9 month period ended 30 September 2022** | Company Year ended 31 December 2021 |
|---|---|---|---|---|
| | **£** | £ | **£** | £ |
| Salaries and other short-term benefits | **516,782** | 430,807 | **418,288** | 352,429 |

## 9. Directors' remuneration

| | 9 month period ended 30 September 2022 £ | Year ended 31 December 2021 £ |
|---|---|---|
| Aggregate directors' remuneration | **296,727** | 224,160 |
| Group contributions to defined contribution pension schemes | **5,272** | 4,691 |
| | **301,999** | 228,851 |

During the period retirement benefits were accruing to 3 directors (year ended 31 December 2021: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £109,283 in the 9 month period (year ended 31 December 2021: £67,940).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £5,272 (year ended 31 December 2021: £4,691).

During the period, the directors were granted 140,921 share options as part of the share-based payment scheme (2021: Nil). None of those options were exercised in the year.

## 10. Interest receivable and similar income

| | 9 month period ended 30 September 2022 £ | Year ended 31 December 2021 £ |
|---|---|---|
| Interest receivable | **239** | 228 |

## 11. Interest payable and similar expenses

| | 9 month period ended 30 September 2022 £ | Year ended 31 December 2021 £ |
|---|---|---|
| Bank interest payable | **49,685** | 32,710 |
| Other loan interest payable | **98,174** | 25,086 |
| Finance leases and hire purchase contracts | **-** | 3,566 |
| | **147,859** | 61,362 |

## 12. Tax on profit

| | 9 month period ended 30 September 2022 £ | Year ended 31 December 2021 £ |
|---|---|---|
| **Corporation tax** | | |
| Current tax on profits for the financial period/year | **(82,755)** | (11,535) |
| Adjustments in respect of prior years | **(1,938)** | 269 |
| **Total current tax** | **(84,693)** | (11,266) |
| **Deferred tax** | | |
| Origination and reversal of timing differences | **94,748** | 101,815 |
| Changes to tax rates | **29,921** | 33,039 |
| Adjustments in respect of prior years | **(8,862)** | - |
| **Total deferred tax** | **115,807** | 134,854 |
| **Total tax** | **31,114** | 123,588 |

## 12. Tax on profit (continued)

### Factors affecting tax charge for the period/year

The tax assessed for the period/year is lower than (year ended 31 December 2021: lower than) the standard rate of corporation tax in the UK of 19.00% (year ended 31 December 2021: 19.00%). The differences are explained below:

| | 9 month period ended 30 September 2022 £ | Year ended 31 December 2021 £ |
|---|---|---|
| Profit before taxation | **592,136** | 1,186,271 |
| Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (year ended 31 December 2021: 19.00%) | **112,506** | 225,391 |
| **Effects of:** | | |
| Expenses not deductible for tax purposes | **22,430** | 18,548 |
| R&D Tax credit | **(93,011)** | (11,535) |
| Deduction for R&D expenditure | **(135,824)** | (276,709) |
| Effect of a change in tax rate | **29,920** | 33,039 |
| Deferred tax charge | **115,806** | 134,854 |
| Effects of overseas tax rates | **5,155** | - |
| Adjustments in respect of prior years | **(10,800)** | - |
| Effects of other reliefs | **11,324** | - |
| Amounts not recognised | **(26,392)** | - |
| **Total tax charge for the financial period/year** | **31,114** | 123,588 |

### Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Act 2021 (published on 24 May 2021, with royal assent received on 10 June 2021). This confirmed an increase to the corporation tax rate to 25% with effect from 1 April 2023. Deferred taxes at the Balance Sheet date have been calculated based on the corporation tax rate of 25% that is enacted at the reporting date.

## 13. Intangible assets

### Group

| | Development expenditure £ |
|---|---|
| **Cost** | |
| At 1 January 2022 | **628,274** |
| Additions | **505,027** |
| Impairment | **(30,385)** |
| Prior year adjustment* | **(46,180)** |
| At 30 September 2022 | **1,056,736** |
| **Accumulated amortisation** | |
| At 1 January 2022 | **94,491** |
| Charge for the period | **30,683** |
| Prior year adjustment* | **(93,661)** |
| At 30 September 2022 | **31,513** |
| **Net book value** | |
| At 30 September 2022 | **1,025,223** |
| At 31 December 2021 | 533,783 |

*During the year it was identified that certain costs had been incorrectly capitalised in error and that amortisation had been incorrectly charged before the product was available for use. This has been corrected through the current year.

## 13. Intangible assets (continued)

### Company

| | Development expenditure £ |
|---|---|
| **Cost** | |
| At 1 January 2022 | **628,274** |
| Additions | **505,027** |
| Impairment | **(30,385)** |
| Prior year adjustment* | **(46,180)** |
| At 30 September 2022 | **1,056,736** |
| **Accumulated amortisation** | |
| At 1 January 2022 | **94,491** |
| Charge for the period | **30,683** |
| Prior year adjustment* | **(93,661)** |
| At 30 September 2022 | **31,513** |
| **Net book value** | |
| At 30 September 2022 | **1,025,223** |
| At 31 December 2021 | 533,783 |

*During the year it was identified that certain costs had been incorrectly capitalised in error and that amortisation had been incorrectly charged before the product was finalised. This has been corrected through the current year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2022

### 14. Tangible assets

**Group**

| | Motor vehicles £ | Computer equipment £ | Other fixed assets £ | Total £ |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2022 | 164,106 | 40,842 | 11,706 | 216,654 |
| Additions | 5,000 | 50,897 | 26,912 | 82,809 |
| Foreign exchange translation adjustment | 7,937 | 744 | 323 | 9,004 |
| At 30 September 2022 | 177,043 | 92,483 | 38,941 | 308,467 |
| **Accumulated depreciation** | | | | |
| At 1 January 2022 | 57,127 | 4,004 | 2,683 | 63,814 |
| Charge for the period | 25,189 | 14,587 | 3,760 | 43,536 |
| At 30 September 2022 | 82,316 | 18,591 | 6,443 | 107,350 |
| **Net book value** | | | | |
| At 30 September 2022 | 94,727 | 73,892 | 32,498 | 201,117 |
| At 31 December 2021 | 106,979 | 36,838 | 9,023 | 152,840 |

## 14. Tangible assets (continued)

### Company

| | Motor vehicles £ | Computer equipment £ | Other fixed assets £ | Total £ |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2022 | 126,759 | 39,018 | 10,733 | 176,510 |
| Additions | 5,000 | 47,846 | 26,284 | 79,130 |
| At 30 September 2022 | 131,759 | 86,864 | 37,017 | 255,640 |
| **Accumulated depreciation** | | | | |
| At 1 January 2022 | 57,127 | 4,004 | 2,683 | 63,814 |
| Charge for the period | 17,604 | 14,047 | 3,565 | 35,216 |
| At 30 September 2022 | 74,731 | 18,051 | 6,248 | 99,030 |
| **Net book value** | | | | |
| At 30 September 2022 | 57,028 | 68,813 | 30,769 | 156,610 |
| At 31 December 2021 | 69,632 | 35,014 | 8,050 | 112,696 |

## 15. Investments

**Company**

| | Investments in subsidiary companies £ |
|---|---|
| **Cost and net book value** | |
| At 1 January 2022 | 10 |
| At 30 September 2022 | 10 |

**Subsidiary undertaking**

The following was a subsidiary undertaking of the Company:

| Name | Registered office | Principal activity | Class of shares | Holding |
|---|---|---|---|---|
| ITS Cycling USA Inc. | 4699 Nautilus Ct S, Boulder, CO 80301, USA | Distribution of purpose focused performance cycling products | Preferred and Common | 100% |

## 16. Stocks

| | Group 30 September 2022 £ | Group 31 December 2021 £ | Company 30 September 2022 £ | Company 31 December 2021 £ |
|---|---|---|---|---|
| Goods for resale | **4,164,409** | 4,375,570 | **4,164,409** | 4,375,570 |

Included within stock is "stock on the water" of £1,344,835 (31 December 2021: £2,250,927).

No impairment losses recognised or reversed in profit or loss relating to stock (31 December 2021: £Nil).

## 17. Debtors

| | **Group 30 September 2022 £** | Group 31 December 2021 £ | **Company 30 September 2022 £** | Company 31 December 2021 £ |
|---|---|---|---|---|
| Trade debtors | **32,643** | 31,023 | **30,399** | 31,023 |
| Amounts owed by group undertakings | **-** | - | **-** | 90,700 |
| Other debtors | **70,104** | 294,907 | **59,440** | 275,709 |
| Prepayments and accrued income | **214,830** | 52,674 | **206,998** | 35,866 |
| Tax recoverable | **103,902** | - | **109,180** | - |
| | **421,479** | 378,604 | **406,017** | 433,298 |

Amounts owed by group undertakings are unsecured, are not interest bearing and repayable on demand.

## 18. Cash at bank and in hand

| | **Group 30 September 2022 £** | Group 31 December 2021 £ | **Company 30 September 2022 £** | Company 31 December 2021 £ |
|---|---|---|---|---|
| Cash at bank and in hand | **2,038,421** | 2,275,223 | **1,933,175** | 1,933,881 |
| Less: bank overdrafts | **(35,509)** | (51,656) | **(30,299)** | (51,632) |
| | **2,002,912** | 2,223,567 | **1,902,876** | 1,882,249 |

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

| | **Group 30 September 2022 £** | Group 31 December 2021 £ | **Company 30 September 2022 £** | Company 31 December 2021 £ |
|---|---|---|---|---|
| Bank overdrafts | **35,509** | 51,656 | **30,299** | 51,632 |
| Credit line facility | **500,000** | - | **500,000** | - |
| Bank loans (see note 21) | **118,333** | 118,333 | **118,333** | 118,333 |
| Other loans (see note 21) | **10,908** | - | **10,908** | - |
| Trade creditors | **622,917** | 1,151,975 | **621,560** | 1,129,350 |
| Amounts owed to group undertakings | - | - | **276,074** | - |
| Corporation tax | **4,979** | - | - | - |
| Taxation and social security | **86,608** | 76,714 | **70,688** | 76,714 |
| Net obligations under finance lease and hire purchase contracts (see note 22) | **28,566** | 28,566 | **28,566** | 28,566 |
| Other creditors | - | 490,194 | - | 392,398 |
| Accruals and deferred income | **1,417,677** | 1,806,658 | **1,126,197** | 1,534,792 |
| | **2,825,497** | 3,724,096 | **2,782,625** | 3,331,785 |

Amounts owed to group undertakings are unsecured, are not interest bearing and repayable on demand.

Bank loans include a Government backed 'Coronavirus Business Interruption' loan of £433,889 (31 December 2021: £522,639), which was drawn down in May 2020. Of this £118,333 (31 December 2021: £118,333) falls due within one year with £315,556 (31 December 2021: £404,306) falling due after more than one year. The loan is 80% guaranteed by the Government and there were no fees or interest payable in the first 12 months. Since this period, interest has been charged at 4% above base rate. Two of the directors have provided a joint personal guarantee for the outstanding 20% of the loan, capped at £142,000.

The credit line facility charges an interest rate of 5% above the base rate, paid quarterly.

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

| | **Group 30 September 2022 £** | Group 31 December 2021 £ | **Company 30 September 2022 £** | Company 31 December 2021 £ |
|---|---|---|---|---|
| Bank loans (see note 21) | **315,556** | 404,306 | **315,556** | 404,306 |
| Other loans (see note 21) | **1,690,000** | 1,196,123 | **1,690,000** | 1,196,123 |
| Net obligations under finance leases and hire purchase contracts (see note 22) | **42,912** | 56,857 | **42,912** | 56,857 |
| | **2,048,468** | 1,657,286 | **2,048,468** | 1,657,286 |

Bank loans include a Government backed 'Coronavirus Business Interruption' loan of £433,889 (31 December 2021: £522,639), which was drawn down in May 2020. Of this £118,333 (31 December 2021: £118,333) falls due within one year with £315,556 (31 December 2021: £404,306) falling due after more than one year. The loan is 80% guaranteed by the Government and there were no fees or interest payable in the first 12 months. Since this period, interest has been charged at 4% above base rate. Two of the directors have provided a joint personal guarantee for the outstanding 20% of the loan, capped at £142,000.

Other loans comprise a three-year bond, issued in October 2021, and a capital loan taken out in May 2022. The bond has an 11% per annum interest rate, which is payable monthly. The capital loan has an interest rate charged at 5% above the base rate, paid quarterly (see note 33).

## 21. Loans

| | **Group 30 September 2022 £** | Group 31 December 2021 £ | **Company 30 September 2022 £** | Company 31 December 2021 £ |
|---|---|---|---|---|
| **Amounts falling due within one year** | | | | |
| Bank loans | **118,333** | 118,333 | **118,333** | 118,333 |
| Other loans | **10,908** | - | **10,908** | - |
| Credit line facility | **500,000** | - | **500,000** | - |
| | **629,241** | 118,333 | **629,241** | 118,333 |
| **Amounts falling due 1-2 years** | | | | |
| Bank loans | **118,333** | 118,333 | **118,333** | 118,333 |
| | **118,333** | 118,333 | **118,333** | 118,333 |
| **Amounts falling due 2-5 years** | | | | |
| Bank loans | **197,223** | 285,973 | **197,223** | 285,973 |
| Other loans | **1,690,000** | 1,196,123 | **1,690,000** | 1,196,123 |
| | **1,887,223** | 1,482,096 | **1,887,223** | 1,482,096 |
| | **2,634,797** | 1,718,762 | **2,634,797** | 1,718,762 |

## 22. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

| | **Group 30 September 2022 £** | Group 31 December 2021 £ | **Company 30 September 2022 £** | Company 31 December 2021 £ |
|---|---|---|---|---|
| Within one year | **28,566** | 28,566 | **28,566** | 28,566 |
| Between 1-5 years | **42,912** | 56,857 | **42,912** | 56,857 |
| | **71,478** | 85,423 | **71,478** | 85,423 |

## 23. Deferred taxation

### Group

| | **2022** |
|---|---|
| | **£** |
| At beginning of period | **134,854** |
| Charged to profit or loss | **124,669** |
| Adjustments in respect of prior years | **(8,862)** |
| **At end of period** | **250,661** |

### Company

| | **2022** |
|---|---|
| | **£** |
| At beginning of period | **134,854** |
| Charged to profit or loss | **124,669** |
| Adjustments in respect of prior years | **(8,862)** |
| **At end of period** | **250,661** |

The provision for deferred taxation is made up as follows:

| | **Group 30 September 2022** | Group 31 December 2021 | **Company 30 September 2022** | Company 31 December 2021 |
|---|---|---|---|---|
| | **£** | £ | **£** | £ |
| Fixed asset timing differences | **277,114** | 137,661 | **277,114** | 137,661 |
| Short term timing differences | **(26,453)** | (2,807) | **(26,453)** | (2,807) |
| | **250,661** | 134,854 | **250,661** | 134,854 |

## 24. Other provisions

### Group

| | Warranty provision £ | Total £ |
|---|---|---|
| At 1 January 2022 | 351,699 | 351,699 |
| Utilised in period | (68,167) | (68,167) |
| **At 30 September 2022** | **283,532** | **283,532** |

### Company

| | Warranty provision £ | Total £ |
|---|---|---|
| At 1 January 2022 | 335,453 | 335,453 |
| Utilised in period | (117,976) | (117,976) |
| **At 30 September 2022** | **217,477** | **217,477** |

## 25. Called up share capital

| | 30 September 2022 £ | 31 December 2021 £ |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 3,200,000 (31 December 2021: 3,200,000) Ordinary shares of £0.00010 (31 December 2021: £0.00010) each | **320** | 320 |

## 26. Reserves

### Share premium account

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

### Share option reserve

Share option reserve includes share options awarded to staff through the EMI scheme.

### Profit and loss account

The profit and loss account reserve includes all current and prior period retained profits and losses.

## 27. Consolidated analysis of net debt

| | At 1 January 2022 £ | Cash flows £ | At 30 September 2022 £ |
|---|---|---|---|
| Cash at bank and in hand | 2,275,223 | (236,802) | 2,038,421 |
| Bank overdrafts | (51,656) | 16,147 | (35,509) |
| Debt due after 1 year | (1,600,429) | (405,127) | (2,005,556) |
| Debt due within 1 year | (118,333) | (510,908) | (629,241) |
| Finance leases | (85,423) | 13,945 | (71,478) |
| | 419,382 | (1,122,745) | (703,363) |

## 28. Dividends

| | 9 month period ended 30 September 2022 £ | Year ended 31 December 2021 £ |
|---|---|---|
| Dividends declared to £219 (31 December 2021: £458) per share | 70,192 | 146,560 |

No dividends proposed for the period subsequent to the year-end.

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

## 29. Share based payments

On 13 July 2022 the Company set up an Enterprise Management Incentives (EMI) shared based payment scheme and granted an award of 131,091 share options to directors. The fair value of the share options on the grant date was £0.89 per share option.

On 22 September 2022 the Company granted an award for a further 205,846 share options to employees. The fair value of the share options on the grant date was £0.22 per option.

The vesting conditions of these options were that the employee must remain in the Company's employment for a period of 3 years from the third anniversary after their employment date to reach first date they become eligible for vesting, and 2 years thereafter to vest 100% of the share options.

The fair value of the share options on the grant dates were set out in the valuation report dated 31 October 2022 from JFM Charted Accountants, and this valuation was made using entity specific observable market data in the form of a recent share capital transaction adjusted for entity specific market conditions.

The Company has recognised an expense for the year of £103,576 (31 December 2021: £Nil).

A reconciliation of share option movements over the year to 30 September 2022 is shown below:

| | **30 September Weighted average exercise price 2022** | **30 September Number 2022** | 31 December Weighted average exercise price 2021 | 31 December Number 2021 |
|---|---|---|---|---|
| Outstanding at the beginning of the year | - | - | - | - |
| Granted during the year | **0.48** | **336,937** | - | - |
| Exercised during the year | - | - | - | - |
| **Outstanding at the end of the year** | **0.48** | **336,937** | - | - |

## 30. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension charge represents contributions payable by the Group to the funds and amounted to £75,188 (year ended 31 December 2021: £70,817). There were no contributions payable to the fund at the Balance Sheet date 30 September 2022 (31 December 21: £Nil).

## 31. Commitments under operating leases

At the reporting date the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | **Group 30 September 2022 £** | Group 31 December 2021 £ | **Company 30 September 2022 £** | Company 31 December 2021 £ |
|---|---|---|---|---|
| Not later than 1 year | **212,189** | 102,069 | **212,189** | 102,069 |
| Later than 1 year and not later than 5 years | **783,519** | 38,987 | **783,519** | 38,987 |
| | **995,708** | 141,056 | **995,708** | 141,056 |

## 32. Related party transactions

During the period the Company made sales to directors of £1,087 (year ended 31 December 2021: £4,226) and purchases from a company that holds shares of £7,381,016 (year ended 31 December 2021: £9,996,641).

At the period end a debtor of £5,155 (31 December 2021: £4,815) was due from directors and a liability of £329,432 (31 December 2021: £1,035,752) was due to a company that is also a shareholder.

## 33. Commitments to debt facility

Lender holds a fixed and floating charge over the Group's property and assets as collateral for the banking facility provided.

No securities, guarantees, or provisions against receivables are in place.

## 34. Post balance sheet events

After the preparation of the statutory financial statements for the financial year ending 30 September 2022, a significant post balance sheet event has occurred. An existing shareholder of the Group has purchased 71,957 ordinary shares for a total value of £364,822. This transaction took place February 2023. This transaction acknowledges the continued support and confidence demonstrated by our shareholders, and we remain steadfast in our commitment to the sustained growth and prosperity of the Group.

## 35. Ultimate parent undertaking and controlling party

The Group is under the control of its shareholders, however no single shareholder exercises individual control.