

Company Registration No. 02826103 (England and Wales)

MERLIN CYCLES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2020

MERLIN CYCLES LIMITED

COMPANY INFORMATION

Director	Mr J A Moss
Company number	02826103
Registered office	Unit A4-A5 Buckshaw Link Ordnance Road Chorley Lancashire United Kingdom PR7 7EL
Auditor	Azets Audit Services St. Crispin House St. Crispin Way Haslingden Rossendale Lancashire United Kingdom BB4 4PW

MERLIN CYCLES LIMITED

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MERLIN CYCLES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 OCTOBER 2020

The director presents the strategic report for the year ended 31 October 2020.

Fair review of the business

Since March 2020 the COVID-19 pandemic has led to an increase in demand for cycling products. During the year the company has continued to expand in most of its major geographical markets. Turnover has increased by 27%, with the company's gross profit margin also increasing.

The company's profit before tax has increased in comparison the previous year, in both absolute terms and margin. The company continues to recruit and invest in its staff, whilst attempting to secure market share with targeted advertising.

The levels of stock held by the company had decreased slightly at the year end due to high levels of customer demand. Despite this, the company continues to hold significant levels of stock, which put us in a strong position in a fast-paced, competitive market.

Principal risks and uncertainties

At the date of approval of the financial statements, the main uncertainty facing the company is the medium to long term impact of the COVID-19 pandemic. Since the outbreak of the pandemic in Spring 2020, the company has experienced an increase in demand from customers and remains in strong financial health. There are no reasonable concerns over the company's ability to continue trading for the foreseeable future, however there is uncertainty over the longer term impact of the pandemic on the wider economy, and the effect this could have on the company.

The company trades in various currencies and is at risk of fluctuations in exchange rates. This risk is managed by entering into forward exchange contracts where appropriate.

The company is also facing uncertainty related to the impact of the UK's exit from the EU in the medium to long term. It is anticipated that any increase in purchase costs from other EU countries will also impact the company's major competitors in the UK.

On behalf of the board

Mr J A Moss

Director

27 July 2021

MERLIN CYCLES LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 OCTOBER 2020

The director presents his annual report and financial statements for the year ended 31 October 2020.

Principal activities

The principal activity of the company continued to be that of the retailing of cycles and cycle accessories.

Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £460,000. The director does not recommend payment of a final dividend.

Director

The director who held office during the year and up to the date of signature of the financial statements was as follows:

Mr J A Moss

Financial instruments

Principal financial instruments

The company's principal financial instruments include derivative financial instruments, the purpose of which is to manage currency risks arising from the company's activities, and bank overdrafts and loans, the main purpose of which is to raise finance for the company's operations.

In addition, the company has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from its operations. Derivative transactions which the company enters into principally comprise forward exchange contracts. Derivative instruments are not entered into for speculative purposes.

Liquidity risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Auditor

The auditor, Azets Audit Services, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr J A Moss

Director

27 July 2021

MERLIN CYCLES LIMITED

DIRECTOR'S RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2020

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MERLIN CYCLES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERLIN CYCLES LIMITED

Opinion

We have audited the financial statements of Merlin Cycles Limited (the 'company') for the year ended 31 October 2020 which comprise the statement of income and retained earnings, the balance sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

MERLIN CYCLES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF MERLIN CYCLES LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the director's report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of director

As explained more fully in the director's responsibilities statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines 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 director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

MERLIN CYCLES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF MERLIN CYCLES LIMITED

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to him in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Simon Read (Senior Statutory Auditor)
For and on behalf of Azets Audit Services

28 July 2021

Chartered Accountants
Statutory Auditor

St. Crispin House
St. Crispin Way
Haslingden
Rossendale
Lancashire
United Kingdom
BB4 4PW

MERLIN CYCLES LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 OCTOBER 2020

	Notes	2020 £	2019 £
Turnover	3	36,273,877	28,609,113
Cost of sales		(29,532,545)	(24,024,675)
Gross profit		6,741,332	4,584,438
Administrative expenses		(3,803,003)	(3,328,364)
Other operating income		10,614	-
Operating profit	4	2,948,943	1,256,074
Interest receivable and similar income		675	236
Interest payable and similar expenses	7	(52,182)	(49,212)
Profit before taxation		2,897,436	1,207,098
Tax on profit	8	(609,473)	(259,582)
Profit for the financial year		2,287,963	947,516
Retained earnings brought forward		3,690,363	3,093,597
Dividends	9	(460,000)	(350,750)
Retained earnings carried forward		5,518,326	3,690,363

The profit and loss account has been prepared on the basis that all operations are continuing operations.

MERLIN CYCLES LIMITED

BALANCE SHEET

AS AT 31 OCTOBER 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Intangible assets	10		52,329		78,494
Tangible assets	11		92,894		70,437
Investments	12		11,500		11,500
			<u>156,723</u>		<u>160,431</u>
Current assets					
Stocks	13	7,853,108		8,220,984	
Debtors	14	410,817		156,284	
Cash at bank and in hand		3,473,665		473,383	
		<u>11,737,590</u>		<u>8,850,651</u>	
Creditors: amounts falling due within one year	15	(6,328,482)		(5,297,476)	
Net current assets			<u>5,409,108</u>		<u>3,553,175</u>
Total assets less current liabilities			<u>5,565,831</u>		<u>3,713,606</u>
Creditors: amounts falling due after more than one year	16		(27,845)		-
Provisions for liabilities					
Deferred tax liability	19	19,160		22,743	
		<u>(19,160)</u>		<u>(22,743)</u>	
Net assets			<u><u>5,518,826</u></u>		<u><u>3,690,863</u></u>
Capital and reserves					
Called up share capital	21		500		500
Profit and loss reserves			<u>5,518,326</u>		<u>3,690,363</u>
Total equity			<u><u>5,518,826</u></u>		<u><u>3,690,863</u></u>

The financial statements were approved and signed by the director and authorised for issue on 27 July 2021

Mr J A Moss
Director

Company Registration No. 02826103

MERLIN CYCLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2020

1 Accounting policies

Company information

Merlin Cycles Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit A4-A5 Buckshaw Link, Ordnance Road, Chorley, Lancashire, United Kingdom, PR7 7EL.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Merlin Cycles Group Limited. These consolidated financial statements are available from its registered office, Unit A4-A5 Buckshaw Link, Ordnance Road, Chorley, Lancashire, PR7 7EL.

1.2 Going concern

At the time of approving the financial statements, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The company has seen an increase in trade during the ongoing COVID-19 pandemic. At the date of approval of the financial statements, the company's cash position remains very strong, with net current assets increasing considerably since the year end. Whilst the medium to long term impact of the pandemic is unclear, the director does not reasonably foresee any circumstances in which the company's ability to remain a going concern would be at risk.

Thus the director continues to adopt the going concern basis of accounting in preparing the financial statements.

MERLIN CYCLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

1 Accounting policies

(Continued)

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Website development	20% straight line
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1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	over the length of the lease
Plant and machinery	15% reducing balance
Computer equipment	20% straight line
Motor vehicles	25% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

MERLIN CYCLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

1 Accounting policies

(Continued)

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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.

Classification of financial liabilities

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

MERLIN CYCLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

MERLIN CYCLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

1 Accounting policies

(Continued)

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods. Included within accruals is a provision relating to overseas VAT compliance costs, which is subject to estimation uncertainty.

The main area of judgement that has the most significant effect on the amounts recognised in the financial statements is in regard to any provision for impairment of stock. Management monitor the ageing of stock, along with market trends, in determining whether a provision is required in relation to particular stock items.

MERLIN CYCLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

3 Turnover and other revenue

	2020	2019
	£	£
Turnover analysed by class of business		
Retail sales of goods	36,273,877	28,609,113
	<u> </u>	<u> </u>
	2020	2019
Grants received	10,614	-
	<u> </u>	<u> </u>
	2020	2019
	£	£
Turnover analysed by geographical market		
UK	19,296,942	11,274,841
Europe	2,582,948	2,728,734
Rest of World	14,393,987	14,605,538
	<u> </u>	<u> </u>
	36,273,877	28,609,113
	<u> </u>	<u> </u>

4 Operating profit

	2020	2019
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	59,041	(149,824)
Government grants	(10,614)	-
Fees payable to the company's auditor for the audit of the company's financial statements	16,550	12,753
Depreciation of owned tangible fixed assets	25,913	15,050
Amortisation of intangible assets	26,165	26,165
Operating lease charges	240,528	250,341
	<u> </u>	<u> </u>

5 Employees

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

	2020	2019
	Number	Number
Administration & management	9	9
Warehouse & distribution	36	37
	<u> </u>	<u> </u>
Total	45	46
	<u> </u>	<u> </u>

MERLIN CYCLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

5 Employees

(Continued)

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	1,035,791	910,630
Social security costs	84,183	72,206
Pension costs	78,377	73,035
	<u>1,198,351</u>	<u>1,055,871</u>

6 Director's remuneration

	2020 £	2019 £
Remuneration for qualifying services	9,918	9,692
Company pension contributions to defined contribution schemes	30,000	30,000
	<u>39,918</u>	<u>39,692</u>

7 Interest payable and similar expenses

	2020 £	2019 £
Interest on bank overdrafts and loans	51,363	49,212
Interest on finance leases and hire purchase contracts	819	-
	<u>52,182</u>	<u>49,212</u>

8 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	612,398	263,700
Adjustments in respect of prior periods	658	532
Total current tax	<u>613,056</u>	<u>264,232</u>
Deferred tax		
Origination and reversal of timing differences	(3,583)	(4,650)
Total tax charge	<u>609,473</u>	<u>259,582</u>

MERLIN CYCLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

8 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £	2019 £
Profit before taxation	2,897,436	1,207,098
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	550,513	229,349
Tax effect of expenses that are not deductible in determining taxable profit	57,012	29,159
Adjustments in respect of prior years	658	532
Permanent capital allowances in excess of depreciation	1,290	542
Taxation charge for the year	609,473	259,582

9 Dividends

	2020 £	2019 £
Interim paid	460,000	350,750

10 Intangible fixed assets

	Website development £
Cost	
At 1 November 2019 and 31 October 2020	130,824
Amortisation and impairment	
At 1 November 2019	52,330
Amortisation charged for the year	26,165
At 31 October 2020	78,495
Carrying amount	
At 31 October 2020	52,329
At 31 October 2019	78,494

MERLIN CYCLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

11 Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Computer equipment £	Motor vehicles £	Total £
Cost					
At 1 November 2019	62,578	218,016	39,778	-	320,372
Additions	-	-	-	48,370	48,370
At 31 October 2020	62,578	218,016	39,778	48,370	368,742
Depreciation and impairment					
At 1 November 2019	38,590	171,567	39,778	-	249,935
Depreciation charged in the year	6,853	6,968	-	12,092	25,913
At 31 October 2020	45,443	178,535	39,778	12,092	275,848
Carrying amount					
At 31 October 2020	17,135	39,481	-	36,278	92,894
At 31 October 2019	23,988	46,449	-	-	70,437

MERLIN CYCLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

12 Fixed asset investments

	2020 £	2019 £
Other investments	11,500	11,500

The other investment relates to an investment in sporting memorabilia, which is shown at cost.

13 Stocks

	2020 £	2019 £
Finished goods and goods for resale	7,853,108	8,220,984

14 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Amounts owed by group undertakings	1	1
Other debtors	410,816	156,283
	410,817	156,284

15 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Bank loans	17	2,156,649	2,065,973
Obligations under finance leases	18	10,850	-
Trade creditors		2,526,278	2,468,021
Corporation tax		612,398	263,700
Other taxation and social security		451,631	257,625
Other creditors		1,571	19,476
Accruals and deferred income		569,105	222,681
		6,328,482	5,297,476

16 Creditors: amounts falling due after more than one year

	Notes	2020 £	2019 £
Obligations under finance leases	18	27,845	-

MERLIN CYCLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

17 Loans and overdrafts

	2020 £	2019 £
Bank loans	2,156,649	2,065,973
Payable within one year	2,156,649	2,065,973

Bank loans are secured by a debenture including a fixed and floating charge over the present and future assets of the company.

18 Finance lease obligations

	2020 £	2019 £
Future minimum lease payments due under finance leases:		
Within one year	10,850	-
In two to five years	27,845	-
	38,695	-

Finance lease payments represent rentals payable by the company for certain items of motor vehicles. Finance lease obligations are secured upon the assets to which they relate.

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2020 £	Liabilities 2019 £
Balances:		
Accelerated capital allowances	19,160	22,743
Movements in the year:		2020 £
Liability at 1 November 2019		22,743
Credit to profit or loss		(3,583)
Liability at 31 October 2020		19,160

MERLIN CYCLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

20 Retirement benefit schemes

	2020	2019
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	78,377	73,035

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

21 Share capital

	2020	2019	2020	2019
	Number	Number	£	£
Ordinary share capital Issued and fully paid				
ordinary shares of £1 each	500	500	500	500

22 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020	2019
	£	£
Within one year	198,377	198,377
Between two and five years	362,448	560,825
	560,825	759,202

23 Directors' transactions

The director has provided the company with an unsecured, interest free loan which has no set repayment date. At 31 October 2020, the total amount due to the director was £733 (2019 - £262).

The director has also provided a personal guarantee in respect of the company's bank borrowings up to a maximum amount of £150,000.

24 Ultimate controlling party

The company's immediate and ultimate parent is Merlin Cycles Group Limited, a company incorporated in England and Wales.

The ultimate controlling party is Mr J A Moss, as a result of his majority shareholding in Merlin Cycles Group Limited.

Copies of the consolidated financial statements of Merlin Cycles Group Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.