Company Registration No. 03794021 (England and Wales)

# BARWORKS LIMITED

## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED

## 30 JUNE 2017

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**BARWORKS LIMITED**

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**BARWORKS LIMITED**

**COMPANY INFORMATION**

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| | | |
|---|---|---|
| **Directors** | Mr J. Akerlund | |
| | Mr S. Chillery ACA | |
| | Mr M. Francis-Baum | |
| | Mr P. Franzen | |
| | Mrs J. Francis-Baum | |
| | Ms L. Raphael | |
| | Mrs R. De Ruvo-Akerlund | |
| | Mr M. Harrington | (Appointed 1 November 2017) |
| **Secretary** | Mr P. Raphael | |
| **Company number** | 03794021 | |
| **Registered office** | 23 Exmouth Market<br>London<br>EC1R 4QL | |
| **Auditor** | RSM UK Audit LLP<br>25 Farringdon Street<br>London<br>EC4A 4AB | |

The directors present the strategic report for the year ended 30 June 2017.

**Business review**

The Directors are delighted to report another record year for the Barworks group in terms of turnover and adjusted EBITDA. The group now operates 12 central London pubs and bars, having opened two during the year under review: The Griffin in August 2016 and The Fountain & Ink in December 2016.

All sites are held under a leasehold basis, with the exception of The Commercial Tavern which is held freehold. All sites are free of tie and benefit from the security of tenure provisions of the 1954 Landlord and Tenant Act.

Overall, turnover for the year was £13.7 million, an increase of 15.6% on the previous year and due to new sites added this year and existing sites reaching maturity. The gross profit percentage improved to 68.9% due to greater efficiencies at operating level. Staff costs – including head office staff – improved as a percentage of turnover, also due to improved operating efficiencies. Net assets at the balance sheet date rose from £6 million to £6.2m due to new sites added in the year.

Adjusted EBITDA increased to £1.4 million, an increase of 25.7% on last year. This was the result of recently added sites growing turnover and contributing higher EBITDA as they approach maturity.

**Future developments**

The group will continue to focus on providing a fine selection of good food and beverages at reasonable prices and at attractive locations. Steady expansion of the group will continue, in much the same way as achieved to date. There will be a refurbishment program for the older sites and newer sites will continue to be supported as they move to maturity.

The group changed its bankers in October 2017, moving from Natwest to HSBC. Loans with an interest only period and longer repayment profile were negotiated, which will improve cashflow over the short to medium term.

The group remains well positioned to make further core and strategic investments in the future, partly funded by cash generated from within the business and partly by bank finance.

**Principal risks and uncertainties**

The directors consider the principal risks to the business as follows:

- Competition
- Falling disposable income
- Employee retention and the availability of new staff following Brexit

The above risks are partially mitigated by the following key measures:

- A continued focus on delivering great looking sites in popular areas with good footfall and a strong local following
- Excellent value for money
- Competitive reward structures and comprehensive training and development programmes

**Key performance indicators**

The Directors measure the key indications of performance that can be influenced by our staff, namely turnover, gross profit percentage, staff cost percentage and adjusted EBITDA (earnings before interest, tax, depreciation, amortisation and pre-opening costs).

**Financial risk management objectives and policies**

The Directors regularly review the financial requirements of the business and the associated risks. The group is financed through a combination of retained earnings and bank facilities and does not use complicated financial instruments or derivatives. The main risk arising from the groups financing is interest rate risk and liquidity risk. The policies for managing each of these risks are summarised below.

INTEREST RATE RISK

The group's strong trading history and reputation of its owners and management team have allowed the refinancing of its bank debt to more favourable terms post year end. Positive trading from operations removes the need for expensive, short-term facilities such as bank overdrafts.

LIQUIDITY RISK

Cash liquidity is reviewed by the Directors on a daily basis to ensure that current operations and future plans can be comfortably supported within existing banking facilities. Close control of working capital is maintained at all times.

On behalf of the board

Scott Chillery

Mr S. Chillery ACA

**Director**

21/12/17

## DIRECTORS' REPORT

***FOR THE YEAR ENDED 30 JUNE 2017***

The directors present their annual report and financial statements for the year ended 30 June 2017.

### Directors

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

| | |
|---|---|
| Mr J. Akerlund | |
| Mr S. Chillery ACA | |
| Mr M. Francis-Baum | |
| Mr P. Franzen | |
| Mr A. Latimer | (Resigned 11 October 2016) |
| Mr C. Todd | (Resigned 17 July 2017) |
| Mrs J. Francis-Baum | |
| Ms L. Raphael | |
| Mrs R. De Ruvo-Akerlund | |
| Mr M. Harrington | (Appointed 1 November 2017) |

### Results and dividends

The results for the year are set out on page 10. To fully understand the underlying trading performance of the group, exceptional costs have been disclosed separately on the face of the profit and loss account.

Ordinary dividends were paid amounting to £180,200 (2016 - £377,400).

No preference dividends were paid.

### Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

**Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 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. They are also 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.

**Auditor**

RSM UK Audit LLP are deemed to be re-appointed 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 auditor of the company and group 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 auditor of the company and group is aware of that information.

***Going concern***

The directors have prepared detailed trading and cash flow projections coving a period of at least 12 months from the date of approval of these financial statements, including anticipated covenant compliance under the company's bank facilities.

As with any company placing reliance on future forecasts, the directors acknowledge that there can be no certainty that these will be achieved. After careful consideration of expected trading performance and forecasted cash flows, the directors have a reasonable expectation that the company will be profitable at an operating level, cash generative in order to continue to service its financial obligations as and when they fall due and is able to trade within the agreed financial covenants attached to its bank facilities.

The directors therefore believe that it remains appropriate to prepare the financial statements on a going concern basis.

**Matters of strategic importance**

In accordance with section 416(4) of the Companies Act, items which are requested to be disclosed in the Directors' report have been disclosed in the Strategic report as these are considered to be of strategic importance to the company.

On behalf of the board

Scott Chillery

Mr S. Chillery ACA

**Director**

21/12/17

### Opinion

We have audited the financial statements of Barworks Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2017 which comprise of the group statement of total comprehensive income, group balance sheet, company balance sheet, group statement of changes in equity, company statement of changes in equity, group statement of cash flows 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 group's and of the parent company's affairs as at 30 June 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 group 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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 directors are 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 the audit:

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

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

RSM UK Audit LLP

Paul Newman (Senior Statutory Auditor)
for and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
Date: 21/12/17

**BARWORKS LIMITED**

**GROUP STATEMENT OF TOTAL COMPREHENSIVE INCOME**

***FOR THE YEAR ENDED 30 JUNE 2017***

| | Notes | 2017<br>£ | 2016<br>£ |
|---|---|---|---|
| Turnover | 3 | 13,655,593 | 11,809,788 |
| Cost of sales | | (4,252,675) | (3,802,618) |
| **Gross profit** | | 9,402,918 | 8,007,170 |
| Administrative expenses | | (9,002,295) | (7,849,900) |
| Other operating income | | 241,763 | 273,708 |
| **Adjusted EBITDA*** | | 1,410,678 | 1,122,082 |
| Depreciation | | (552,412) | (504,006) |
| Amortisation of goodwill | | (23,063) | (18,762) |
| Loss on disposal of tangible fixed assets | | (83,113) | (34,531) |
| Exceptional items and new site pre-opening costs | 8 | (109,704) | (133,805) |
| **Operating profit** | 4 | 642,386 | 430,978 |
| Interest receivable and similar income | 9 | 515 | 6,653 |
| Interest payable and similar expenses | 10 | (101,632) | (81,014) |
| **Profit before taxation** | | 541,269 | 356,617 |
| Taxation | 11 | (136,314) | (99,726) |
| **Profit for the financial year** | | 404,955 | 256,891 |
| **Profit for the financial year** | | 404,955 | 256,891 |
| **Other comprehensive income** | | - | - |
| **Total comprehensive income for the year** | | 404,955 | 256,891 |

Total comprehensive income for the year is all attributable to the owners of the parent company.

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

*Earnings before interest, tax, depreciation, amortisation, new bar pre-opening costs and other exceptional costs

**BARWORKS LIMITED**

**GROUP BALANCE SHEET**

***AS AT 30 JUNE 2017***

| | Notes | 2017 | | 2016 | |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Fixed assets** | | | | | |
| Goodwill | **13** | | 146,357 | | 169,328 |
| Other intangible assets | **13** | | 1,089 | | 1,181 |
| Total intangible assets | | | 147,446 | | 170,509 |
| Tangible assets | **14** | | 8,186,311 | | 7,661,412 |
| Investments | **16** | | 200,100 | | 100 |
| | | | 8,533,857 | | 7,832,021 |
| **Current assets** | | | | | |
| Stocks | **18** | 240,154 | | 192,898 | |
| Debtors | **19** | 3,223,959 | | 1,242,781 | |
| Cash at bank and in hand | | 303,470 | | 563,468 | |
| | | 3,767,583 | | 1,999,147 | |
| **Creditors: amounts falling due within one year** | **20** | (2,964,712) | | (2,728,259) | |
| **Net current assets/(liabilities)** | | | 802,871 | | (729,112) |
| **Total assets less current liabilities** | | | 9,336,728 | | 7,102,909 |
| **Creditors: amounts falling due after more than one year** | **21** | | (3,001,364) | | (1,018,764) |
| **Provisions for liabilities** | **24** | | (86,363) | | (59,899) |
| **Net assets** | | | 6,249,001 | | 6,024,246 |
| **Capital and reserves** | | | | | |
| Called up share capital | **26** | | 6,003,400 | | 6,003,400 |
| Share premium account | | | 77,262 | | 77,262 |
| Capital redemption reserve | | | 8 | | 8 |
| Profit and loss reserves | | | 168,331 | | (56,424) |
| **Total equity** | | | 6,249,001 | | 6,024,246 |

The financial statements on pages 10 - 39 were approved by the board of directors and authorised for issue on 21/12/17 and are signed on its behalf by:

Scott Chillery

Mr S. Chillery ACA

**Director**

**BARWORKS LIMITED**

**COMPANY BALANCE SHEET**

***AS AT 30 JUNE 2017***

| | Notes | 2017 | | 2016 | |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Fixed assets** | | | | | |
| Tangible assets | **14** | | 17,196 | | 25,898 |
| Investments | **16** | | 419,123 | | 218,123 |
| | | | 436,319 | | 244,021 |
| **Current assets** | | | | | |
| Debtors | **19** | 7,225,399 | | 8,116,703 | |
| Cash at bank and in hand | | 24,747 | | 297,543 | |
| | | 7,250,146 | | 8,414,246 | |
| **Creditors: amounts falling due within one year** | **20** | (632,539) | | (1,195,660) | |
| **Net current assets** | | | 6,617,607 | | 7,218,586 |
| **Total assets less current liabilities** | | | 7,053,926 | | 7,462,607 |
| **Creditors: amounts falling due after more than one year** | **21** | | (729,514) | | (1,000,000) |
| **Provisions for liabilities** | **24** | | - | | (1,249) |
| **Net assets** | | | 6,324,412 | | 6,461,358 |
| **Capital and reserves** | | | | | |
| Called up share capital | **26** | | 6,003,400 | | 6,003,400 |
| Share premium account | | | 77,262 | | 77,262 |
| Capital redemption reserve | | | 8 | | 8 |
| Profit and loss reserves | | | 243,742 | | 380,688 |
| **Total equity** | | | 6,324,412 | | 6,461,358 |

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Profit and Loss Account. The company's profit for the year was £43,254 (2016 - £701,905).

The financial statements on pages 10 - 39 were approved by the board of directors and authorised for issue on 21/12/17 and are signed on its behalf by:

Scott Chillery

Mr S. Chillery ACA

**Director**

**BARWORKS LIMITED**

**GROUP STATEMENT OF CHANGES IN EQUITY**

***FOR THE YEAR ENDED 30 JUNE 2017***

| | Notes | Share capital | Share premium account | Capital redemption reserve | Profit and loss reserves | Total |
|---|---|---|---|---|---|---|
| | | £ | £ | £ | £ | £ |
| **Balance at 1 July 2015** | | 3,400 | 77,262 | 8 | 64,085 | 144,755 |
| **Year ended 30 June 2016:** | | | | | | |
| Profit and total comprehensive income for the year | | - | - | - | 256,891 | 256,891 |
| Issue of share capital | **26** | 6,000,000 | - | - | - | 6,000,000 |
| Transactions with owners: dividends | **12** | - | - | - | (377,400) | (377,400) |
| **Balance at 30 June 2016** | | 6,003,400 | 77,262 | 8 | (56,424) | 6,024,246 |
| **Year ended 30 June 2017:** | | | | | | |
| Profit and total comprehensive income for the year | | - | - | - | 404,955 | 404,955 |
| Transactions with owners: dividends | **12** | - | - | - | (180,200) | (180,200) |
| **Balance at 30 June 2017** | | 6,003,400 | 77,262 | 8 | 168,331 | 6,249,001 |

**Share capital**
The nominal value of the shares issued and paid up.

**Share premium account**
Consideration received for shares issued above their nominal value net of transaction costs.

**Capital redemption reserve**
The nominal value of shares repurchased and still held at the end of the reporting period.

**Profit and loss reserves**
The cumulative profit and loss net of distributions to the owners.

**BARWORKS LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY**

***FOR THE YEAR ENDED 30 JUNE 2017***

| | Notes | Share capital | Share premium account | Capital redemption reserve | Profit and loss reserves | Total |
|---|---|---|---|---|---|---|
| | | £ | £ | £ | £ | £ |
| **Balance at 1 July 2015** | | 3,400 | 77,262 | 8 | 56,183 | 136,853 |
| **Year ended 30 June 2016:** | | | | | | |
| Profit and total comprehensive income for the year | | - | - | - | 701,905 | 701,905 |
| Issue of share capital | **26** | 6,000,000 | - | - | - | 6,000,000 |
| Transactions with owners: dividends | **12** | - | - | - | (377,400) | (377,400) |
| **Balance at 30 June 2016** | | 6,003,400 | 77,262 | 8 | 380,688 | 6,461,358 |
| **Year ended 30 June 2017:** | | | | | | |
| Profit and total comprehensive income for the year | | - | - | - | 43,254 | 43,254 |
| Transactions with owners: dividends | **12** | - | - | - | (180,200) | (180,200) |
| **Balance at 30 June 2017** | | 6,003,400 | 77,262 | 8 | 243,742 | 6,324,412 |

**Share capital**
The nominal value of the shares issued and paid up.

**Share premium account**
Consideration received for shares issued above their nominal value net of transaction costs.

**Capital redemption reserve**
The nominal value of shares repurchased and still held at the end of the reporting period.

**Profit and loss reserves**
The cumulative profit and loss net of distributions to the owners.

**BARWORKS LIMITED**

**GROUP STATEMENT OF CASH FLOWS**

***FOR THE YEAR ENDED 30 JUNE 2017***

| | Notes | 2017 £ | 2017 £ | 2016 £ | 2016 £ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash (absorbed by)/generated from operations | **32** | | (869,622) | | 593,471 |
| Interest paid | | | (101,632) | | (81,014) |
| Income taxes paid | | | (49,387) | | (1,634) |
| **Net cash (outflow)/inflow from operating activities** | | | (1,020,641) | | 510,823 |
| **Investing activities** | | | | | |
| Purchase of intangible assets | | - | | (59,669) | |
| Purchase of tangible fixed assets | | (1,160,426) | | (5,136,193) | |
| Proceeds on disposal of tangible fixed assets | | - | | 609 | |
| Proceeds on disposal of subsidiaries | | - | | 5,000 | |
| Purchase of fixed asset investments | | (200,000) | | - | |
| Proceeds on disposal of fixed asset investments | | - | | 610 | |
| Interest received | | 515 | | 1,653 | |
| Other investment income received | | - | | 5,000 | |
| **Net cash used in investing activities** | | | (1,359,911) | | (5,182,990) |
| **Financing activities** | | | | | |
| Proceeds from issue of shares | | - | | 6,000,000 | |
| Proceeds of new bank loans | | 3,500,000 | | - | |
| Repayment of bank loans | | (1,159,405) | | (457,704) | |
| Payment of finance leases obligations | | (39,856) | | (45,865) | |
| Dividends paid to equity shareholders | | (180,200) | | (377,400) | |
| **Net cash generated from financing activities** | | | 2,120,539 | | 5,119,031 |
| **Net (decrease)/increase in cash and cash equivalents** | | | (260,013) | | 446,864 |
| Cash and cash equivalents at beginning of year | | | 563,483 | | 116,604 |
| **Cash and cash equivalents at end of year** | | | 303,470 | | 563,468 |

## 1 Accounting policies

### Company information

Barworks Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 23 Exmouth Market, London, United Kingdom, EC1R 4QL.

The company's registration number is 03794021.

The group consists of Barworks Limited and all of its subsidiaries.

The principal activity of the group in the year under review was that of running licensed bars and restaurants.

### 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 principal accounting policies adopted are set out below.

### 1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

All financial statements are made up to 30 June 2017. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

**1 Accounting policies** **(Continued)**

**1.3 Going concern**

The directors have prepared detailed trading and cash flow projections coving a period of at least 12 months from the date of approval of these financial statements, including anticipated covenant compliance under the company's bank facilities.

As with any company placing reliance on future forecasts, the directors acknowledge that there can be no certainty that these will be achieved. After careful consideration of expected trading performance and forecasted cash flows, the directors have a reasonable expectation that the company will be profitable at an operating level, cash generative in order to continue to service its financial obligations as and when they fall due and is able to trade within the agreed financial covenants attached to its bank facilities.

The directors therefore believe that it remains appropriate to prepare the financial statements on a going concern basis.

**1.4 Turnover**

The turnover shown in the profit and loss account represents sales during the year, exclusive of Value Added Tax and is recognised at the point of sale through electronic tills.

**1.5 Intangible fixed assets - goodwill**

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years. No impairment was recognised at 30 June 2017.

**1.6 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 of assets less their residual values over their useful lives on the following bases:

| | |
|---|---|
| Initial licences | 20 years straight line |

**1 Accounting policies** **(Continued)**

**1.7 Tangible fixed assets**

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

Depreciation is recognised so as to write off the cost of all assets, other than freehold land, less their residual values over their useful lives on the following basis:

| | |
|---|---|
| Leasehold land and buildings | Over the unexpired lease term |
| Computer equipment | 20% reducing balance |
| Freehold land and buildings | over 50 years |
| Plant and machinery | 20% reducing balance |
| Fixtures and fittings | 20% reducing balance |
| Motor vehicles | 20% reducing balance |

No impairment losses were recognised at 30 June 2017.

**1.8 Fixed asset investments**

In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Interests in subsidiaries are assessed for impairment at each reporting date. Any impairments losses or reversals of impairment losses are recognised immediately in profit or loss. No impairment losses were recognised at 30 June 2017.

Unlisted investments are included at cost less provisions for impairment as an approximation to market value, unless there is specific evidence to the contrary.

**1.9 Impairment of fixed assets**

At each reporting period end date, the group 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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.

**1 Accounting policies** **(Continued)**

**1.10 Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**1.11 Cash and cash equivalents**

Cash and cash equivalents are basic financial assets and include cash in hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

**1.12 Financial instruments**

The group 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 group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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 are not publicly traded. They are included at cost less provisions for impairment as an approximation to market value, unless there is specific evidence to the contrary.

***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.

No impairment losses were recognised at 30 June 2017.

**1 Accounting policies** **(Continued)**

***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

***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 group after deducting all of its liabilities.

***Basic financial liabilities***

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies that are classified as debt, 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.

***Derecognition of financial liabilities***

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

**1.13 Equity instruments**

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

**1.14 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 group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

**1 Accounting policies** **(Continued)**

***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.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. 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. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

**1.15 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**1.16 Retirement benefits**

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

**1.17 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 the profit and loss account 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 income 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 lease asset are consumed.

**1.18 Pre-opening costs**

Property rentals and other related staff costs and overheads incurred prior to a new site opening are written off to the profit and loss accounts as incurred.

**1 Accounting policies** **(Continued)**

**1.19 Reduced disclosures**

In accordance with FRS 102, as the Group prepares consolidated financial statements in which the Company is included. The Company has taken advantage of the exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' - Reconciliation of the opening and closing number of shares
- 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' - Carrying amounts, 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 33 'Related Party Disclosures' - Compensation for key management personnel

**1.20 Dividends**

Dividends are recognised as liabilities once they are no longer at the discretion of the Company.

**2 Judgements and key sources of estimation uncertainty**

In the application of the group's accounting policies, the directors are 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.

Recoverability of group loans

The directors have reviewed the carrying value of the company's loan balances with its subsidiary undertakings. Based on forecasted trading results and cash flow projections, they are confident that these balances are recoverable in the foreseeable future. No impairments were recognised at 30 June 2017 in respect of these loans.

Impairment of leasehold property, plant and equipment

The Group formally determines whether leasehold property, plant and equipment are impaired by considering indicators of impairment annually. Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value in use are recognised as impairment losses.

This requires the Group to determine the lowest levels of assets which generate largely independent cash flows (cash generating units or CGU) and to estimate the value in use of those assets or CGUs. Cash generating units are deemed to be individual restaurant units.

Calculating the value in use requires the Group to make an estimate on the future cash flows of each CGU and to choose a suitable discount rate in order to calculate the present value of those cash flows, based on the Group's weighted average cost of capital.

## 3 Turnover and other revenue

An analysis of the group's turnover is as follows:

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| ***Turnover*** | | |
| United Kingdom | 13,655,593 | 11,809,788 |

## 4 Operating profit

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Operating profit for the year is stated after charging/(crediting): | | |
| Depreciation of owned tangible fixed assets | 538,402 | 486,493 |
| Depreciation of tangible fixed assets held under hire purchase agreements | 14,010 | 17,513 |
| Loss on disposal of tangible fixed assets | 83,115 | 34,531 |
| Amortisation of intangible assets | 23,063 | 18,762 |
| Cost of stocks recognised as an expense | 4,252,675 | 3,802,618 |
| Operating lease charges | 1,539,640 | 1,323,841 |

The depreciation, amortisation, loss on disposal of fixed assets and operating lease charges are included within administrative expenses. The costs of stock recognised as an expense is included within cost of sales.

## 5 Auditor's remuneration

| | 2017 | 2016 |
|---|---|---|
| Fees payable to the company's auditor and associates: | £ | £ |
| **For audit services** | | |
| For audit services | 46,850 | 36,645 |

## 6 Employees

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | Number | Number | Number | Number |
| Number of operations staff | 200 | 168 | - | - |
| Number of office and management staff | 19 | 19 | 19 | 19 |
| | 219 | 187 | 19 | 19 |

Their aggregate remuneration comprised:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | £ | £ | £ | £ |
| Wages and salaries | 4,056,345 | 3,501,425 | 845,798 | 758,471 |
| Social security costs | 326,201 | 266,003 | 103,594 | 85,954 |
| Pension costs | 28,423 | 18,054 | 23,403 | 17,934 |
| | 4,410,969 | 3,785,482 | 972,795 | 862,359 |

## 7 Directors' remuneration

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Remuneration for qualifying services | 265,182 | 255,825 |
| Company pension contributions to money purchase schemes | 14,139 | 13,914 |
| | 279,321 | 269,739 |

The key management personnel are included within the directors' remuneration. The total employer NIC for the year in relation to the key management personnel amounted to £27,625 (2016 - £16,620).

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2016 - 4).

**7 Directors' remuneration** **(Continued)**

Remuneration disclosed above includes the following amounts paid to the highest paid director:

| | | |
|---|---|---|
| Remuneration for qualifying services | 147,613 | 128,512 |

**8 Exceptional costs**

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Pre-opening costs | 109,704 | 48,607 |
| Refinancing costs | - | 85,198 |
| | 109,704 | 133,805 |

**9 Interest receivable and similar income**

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| **Interest income** | | |
| Interest on bank deposits | 515 | 1,644 |
| Other interest income | - | 9 |
| Total interest revenue | 515 | 1,653 |
| **Income from fixed asset investments** | | |
| Income from participating interests - associates | - | 5,000 |
| Total income | 515 | 6,653 |

Investment income includes the following:

| | | |
|---|---|---|
| Interest on financial assets not measured at fair value through profit or loss | 515 | 1,644 |

**10 Interest payable and similar expenses**

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| **Interest on financial liabilities measured at amortised cost:** | | |
| Interest on bank overdrafts and loans | 90,580 | 66,397 |
| **Other finance costs:** | | |
| Other interest | 11,052 | 14,617 |
| Total finance costs | 101,632 | 81,014 |

## 11 Taxation

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| **Current tax** | | |
| UK corporation tax on profits for the current period | 105,743 | 41,593 |
| Adjustments in respect of prior periods | 4,107 | 3,645 |
| Total current tax | 109,850 | 45,238 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | 29,791 | 58,133 |
| Changes in tax rates | (3,327) | - |
| Adjustment in respect of prior periods | - | (3,645) |
| Total deferred tax | 26,464 | 54,488 |
| Total tax charge | 136,314 | 99,726 |

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

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Profit before taxation | 541,269 | 356,617 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.75% (2016: 20.00%) | 106,901 | 71,323 |
| Tax effect of expenses that are not deductible in determining taxable profit | 4,407 | 3,841 |
| Adjustments in respect of prior years | 4,107 | (195) |
| Other permanent differences | - | 106 |
| Deferred tax adjustments in respect of prior years | - | 1,037 |
| Adjust closing deferred tax to average rate | (13,966) | (7,060) |
| Fixed asset differences | 22,885 | 30,674 |
| Deferred tax note recognised | 5,610 | - |
| Adjust opening deferred tax to average rate | 6,370 | - |
| Tax charge for the year | 136,314 | 99,726 |

## 12 Dividends

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Equity dividends paid on ordinary A shares | 63,070 | 132,090 |
| Equity dividends paid on ordinary B shares | 63,070 | 132,090 |
| Equity dividends paid on ordinary C shares | 54,060 | 113,220 |
| | 180,200 | 377,400 |

## 13 Intangible fixed assets

| Group | Goodwill | Initial licences | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Cost** | | | |
| At 1 July 2016 and 30 June 2017 | 219,668 | 2,300 | 221,968 |
| **Amortisation** | | | |
| At 1 July 2016 | 50,340 | 1,119 | 51,459 |
| Amortisation charged for the year | 22,971 | 92 | 23,063 |
| At 30 June 2017 | 73,311 | 1,211 | 74,522 |
| **Carrying amount** | | | |
| At 30 June 2017 | 146,357 | 1,089 | 147,446 |
| At 30 June 2016 | 169,328 | 1,181 | 170,509 |

The company had no intangible fixed assets at 30 June 2017 or 30 June 2016.

## 14 Tangible fixed assets

| Group | Leasehold land and buildings | Freehold land and buildings | Plant and machinery | Fixtures and fittings | Computer equipment | Motor vehicles | Total |
|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ |
| **Cost** | | | | | | | |
| At 1 July 2016 | 1,928,595 | 4,895,418 | 891,562 | 1,817,550 | 54,339 | 3,381 | 9,590,845 |
| Additions | 382,014 | - | 193,822 | 572,527 | 12,063 | - | 1,160,426 |
| Disposals | - | - | (163,570) | (157,057) | (5,294) | - | (325,921) |
| At 30 June 2017 | 2,310,609 | 4,895,418 | 921,814 | 2,233,020 | 61,108 | 3,381 | 10,425,350 |
| **Depreciation and impairment** | | | | | | | |
| At 1 July 2016 | 772,725 | - | 412,776 | 700,318 | 42,290 | 1,324 | 1,929,433 |
| Depreciation charged in the year | 104,319 | - | 124,481 | 305,244 | 17,956 | 412 | 552,412 |
| Eliminated in respect of disposals | - | - | (123,839) | (114,043) | (4,924) | - | (242,806) |
| At 30 June 2017 | 877,044 | - | 413,418 | 891,519 | 55,322 | 1,736 | 2,239,039 |
| **Carrying amount** | | | | | | | |
| At 30 June 2017 | 1,433,565 | 4,895,418 | 508,396 | 1,341,501 | 5,786 | 1,645 | 8,186,311 |
| At 30 June 2016 | 1,155,870 | 4,895,418 | 478,786 | 1,117,232 | 12,049 | 2,057 | 7,661,412 |

Included within the net book value is £56,042 (2016 - £70,052) relating to assets held under hire purchase agreements. The depreciation charged to the group accounts in the year in respect of such assets amounted to £14,010 (2016 - £17,513).

| Company | Plant and machinery | Fixtures and fittings | Computer equipment | Motor vehicles | Total |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **Cost** | | | | | |
| At 1 July 2016 | 2,502 | 19,320 | 39,774 | 3,381 | 64,977 |
| Additions | 2,985 | - | 5,998 | - | 8,983 |
| Disposals | - | - | (1,434) | - | (1,434) |
| At 30 June 2017 | 5,487 | 19,320 | 44,338 | 3,381 | 72,526 |
| **Depreciation and impairment** | | | | | |
| At 1 July 2016 | 1,087 | 9,892 | 26,776 | 1,324 | 39,079 |
| Depreciation charged in the year | 830 | 1,886 | 14,187 | 412 | 17,315 |
| Eliminated in respect of disposals | - | - | (1,064) | - | (1,064) |
| At 30 June 2017 | 1,917 | 11,778 | 39,899 | 1,736 | 55,330 |
| **Carrying amount** | | | | | |
| At 30 June 2017 | 3,570 | 7,542 | 4,439 | 1,645 | 17,196 |
| At 30 June 2016 | 1,415 | 9,428 | 12,998 | 2,057 | 25,898 |

## 15 Subsidiaries

Details of the company's subsidiaries at 30 June 2017 are as follows:

| Name of undertaking | Registered office | Nature of business | Class of shares held | % Held Direct | % Held Indirect |
|---|---|---|---|---|---|
| Barworks (Angel) Limited | UK | Licensed bar and resturant | Ordinary | 100.00 | |
| Barworks (Brick Lane) Limited | UK | Licensed bar and resturant | Ordinary | 100.00 | |
| Barworks (City Road) Limited | UK | Licensed bar and resturant | Ordinary | 100.00 | |
| Barworks (Clerkenwell) Limited | UK | Licensed bar and resturant | Ordinary | 100.00 | |
| Barworks (Commercial Street) Limited | UK | Licensed bar and resturant | Ordinary | 100.00 | |
| Barworks (Electric) Limited | UK | Licensed bar and resturant | Ordinary | 100.00 | |
| Barworks (Exmouth) Limited | UK | Licensed bar and resturant | Ordinary | 100.00 | |
| Barworks (Farringdon) Limited | UK | Licensed bar and resturant | Ordinary | 100.00 | |
| Barworks (Islington) Limited | UK | Licensed bar and resturant | Ordinary | 100.00 | |
| Barworks (Leonard Street) Limited | UK | Licensed bar and resturant | Ordinary | 100.00 | |
| Barworks (Newman St) Limited | UK | Dormant | Ordinary | 100.00 | |
| Barworks (Soho) Limited | UK | Licensed bar | Ordinary | 100.00 | |
| Barworks Boutique Bedrooms Limited | UK | HMO property | Ordinary | 100.00 | |
| Barworks Group Limited | UK | Dormant | Ordinary | 100.00 | |
| Barworks Investments Limited | UK | Property investment | Ordinary | 100.00 | |
| Cleaning Services & Improvements Limited | UK | Cleaning services | Ordinary | 100.00 | |
| Track Public Houses Limited | UK | Licensed bar and resturant | Ordinary | 100.00 | |
| Barworks (Stamford) Street Limited | UK | Licensed bar and resturant | Ordinary | 100.00 | |

The registered office address of all the subsidiary undertakings is 23 Exmouth Market, London, EC1R 4QL.

## 16 Fixed asset investments

| | Notes | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|---|
| Investments in subsidiaries | 15 | 100 | 100 | 219,123 | 218,123 |
| Unlisted investments | | 200,000 | - | 200,000 | - |
| | | 200,100 | 100 | 419,123 | 218,123 |

**Movements in fixed asset investments**

| Group | Shares in group undertakings £ | Unlisted investments £ | Total £ |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 July 2016 | 100 | - | 100 |
| Additions | - | 200,000 | 200,000 |
| At 30 June 2017 | 100 | 200,000 | 200,100 |
| **Carrying amount** | | | |
| At 30 June 2017 | 100 | 200,000 | 200,100 |
| At 30 June 2016 | 100 | - | 100 |

**Movements in fixed asset investments**

| Company | Shares in group undertakings £ | Unlisted investments £ | Total £ |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 July 2016 | 218,123 | - | 218,123 |
| Additions | 1,000 | 200,000 | 201,000 |
| At 30 June 2017 | 219,123 | 200,000 | 419,123 |
| **Carrying amount** | | | |
| At 30 June 2017 | 219,123 | 200,000 | 419,123 |
| At 30 June 2016 | 218,123 | - | 218,123 |

The fair value of the unlisted investments is the same as the carrying value at 30 June 2017.

## 17 Financial instruments

Included within the amounts shown as Debtors and Creditors are financial assets and financial liabilities, the classification of which are further analysed below:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | £ | £ | £ | £ |
| **Carrying amount of financial assets** | | | | |
| Debt instruments measured at amortised cost | 2,364,794 | 576,868 | 7,193,620 | 8,075,819 |
| Equity instruments measured at cost less impairment | 200,000 | - | 200,000 | - |
| **Carrying amount of financial liabilities** | | | | |
| Measured at amortised cost | 5,416,191 | 3,305,512 | 1,336,982 | 2,170,395 |

## 18 Stocks

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | £ | £ | £ | £ |
| Raw materials and consumables | 240,154 | 192,898 | - | - |

## 19 Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| **Amounts falling due within one year:** | £ | £ | £ | £ |
| Trade debtors | 59,991 | 100,178 | 59,772 | 15,300 |
| Corporation tax recoverable | - | - | - | 4,689 |
| Amounts due from group undertakings | - | 1,523 | 5,133,026 | 7,852,324 |
| Amounts due from related undertakings | 1,387,966 | - | 1,387,966 | - |
| Other debtors | 692,864 | 287,068 | 610,606 | 205,945 |
| Prepayments and accrued income | 859,165 | 665,913 | 31,136 | 36,195 |
| | 2,999,986 | 1,054,682 | 7,222,506 | 8,114,453 |
| Deferred tax asset | - | - | 643 | - |
| | 2,999,986 | 1,054,682 | 7,223,149 | 8,114,453 |
| **Amounts falling due after more than one year:** | | | | |
| Other debtors | 223,973 | 188,099 | 2,250 | 2,250 |
| **Total debtors** | 3,223,959 | 1,242,781 | 7,225,399 | 8,116,703 |

Amounts due from group and related undertakings are interest-free, unsecured and repayable on demand. Accordingly, the amounts have been disclosed as falling due within one year.

## 20 Creditors: amounts falling due within one year

| | Notes | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|---|
| Bank loans | 22 | 339,244 | - | 178,938 | - |
| Hire purchase agreements | 23 | 18,764 | 39,856 | - | - |
| Trade creditors | | 1,406,194 | 814,813 | 57,475 | 60,558 |
| Amounts due to group undertakings | | - | - | 198,479 | 182,396 |
| Amounts due to related undertakings | | - | 620,578 | - | 620,578 |
| Corporation tax payable | | 105,701 | 45,238 | - | - |
| Other taxation and social security | | 444,184 | 396,273 | 25,071 | 25,265 |
| Directors' loan account | | 159,039 | 189,994 | 156,601 | 189,994 |
| Other creditors | | 241,660 | 420,194 | - | 71,306 |
| Accruals and deferred income | | 249,926 | 201,313 | 15,975 | 45,563 |
| | | 2,964,712 | 2,728,259 | 632,539 | 1,195,660 |

Amounts payable under hire purchase agreements are secured against the asset to which they relate. Bank loans are secured by a fixed and floating charge over the assets of the group.

Amounts owed to group undertakings are repayable on demand. Accordingly, the amounts have been disclosed as falling due within one year.

## 21 Creditors: amounts falling due after more than one year

| | Notes | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|---|
| Bank loans | 22 | 3,001,364 | 1,000,000 | 729,514 | 1,000,000 |
| Hire purchase agreements | 23 | - | 18,764 | - | - |
| | | 3,001,364 | 1,018,764 | 729,514 | 1,000,000 |

## 22 Loans

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | £ | £ | £ | £ |
| Bank loans | 3,340,608 | 1,000,000 | 908,452 | 1,000,000 |
| Payable within one year | 339,244 | - | 178,938 | - |
| Payable after one year | 3,001,364 | 1,000,000 | 729,514 | 1,000,000 |
| Amounts included above which fall due after five years: | | | | |
| Payable by instalments | 134,199 | - | 134,199 | - |

At the balance sheet date, the Natwest bank loan is denominated in Sterling with a nominal interest rate of 4.5% above the bank's base rate. The loan is repayable by quarterly or monthly instalments and the final instalment was due on 30 April 2023. The loan was repaid post year end. The carrying amount at the balance sheet date was £908,452 (2016 - £1,000,000).

At the balance sheet date, the Natwest mortgage is denominated in Sterling with a nominal interest rate of 2.35% above the bank's base rate. The loan is repayable by monthly instalments and the financial instalment was due on 31 October 2021. The mortgage was repaid post year end. The carrying amount at the balance sheet date was £2,432,156 (2016 - £Nil).

The long-term loans are secured by an unlimited debenture over the assets of the group and company.

## 23 Hire purchase agreements

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | £ | £ | £ | £ |
| Future commitments under hire purchase are as follows: | | | | |
| Within one year | 18,764 | 39,856 | - | - |
| In two to five years | - | 18,764 | - | - |
| | 18,764 | 58,620 | - | - |

## 24 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| Group | Liabilities 2017 £ | Liabilities 2016 £ | Assets 2017 £ | Assets 2016 £ |
|---|---|---|---|---|
| ACAs | 86,363 | 59,899 | - | - |

| Company | Liabilities 2017 £ | Liabilities 2016 £ | Assets 2017 £ | Assets 2016 £ |
|---|---|---|---|---|
| ACAs | - | 1,249 | 643 | - |

| Movements in the year: | Group 2017 £ | Company 2017 £ |
|---|---|---|
| Liability at 1 July 2016 | 59,899 | 1,249 |
| Charge/(credit) to profit or loss | 26,464 | (1,892) |
| Liability/(asset) at 30 June 2017 | 86,363 | (643) |

## 25 Retirement benefit schemes

| Defined contribution schemes | 2017 £ | 2016 £ |
|---|---|---|
| Charge to profit or loss in respect of defined contribution schemes | 28,422 | 18,054 |

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

## 26 Share capital

| | 2017 | 2016 |
|---|---|---|
| **Ordinary share capital** | **£** | **£** |
| **Issued and fully paid** | | |
| 1,190 Ordinary A shares of £1 each | 1,190 | 1,190 |
| 1,190 Ordinary B shares of £1 each | 1,190 | 1,190 |
| 1,020 Ordinary C shares of £1 each | 1,020 | 1,020 |
| 6,000,000 Preference shares of £1 each | 6,000,000 | 6,000,000 |
| | 6,003,400 | 6,003,400 |

All ordinary shares have equal rights.

The preference shares rank pari passu with the ordinary shares with respect to capital distribution. They have no rights to vote, interest/dividends and are redeemable exclusively at the discretion of the company.

## 27 Contingent liabilities

The group is party to an unlimited composite guarantee with Good Life Group Limited in relation to a £3,633,809 (2016 - £4 million) loan with National Westminster Bank Plc. The potential liability at the balance sheet date amounted to £2,725,357 (2016 - £3.5 million).

## 28 Operating lease commitments

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | £ | £ | £ | £ |
| Within one year | 1,338,000 | 1,193,000 | - | - |
| Between two and five years | 5,352,000 | 4,772,000 | - | - |
| In over five years | 13,556,000 | 13,276,000 | - | - |
| | 20,246,000 | 19,241,000 | - | - |

## 29 Related party transactions

The company has taken advantage of the exemption available under FRS 102 Section 33.1A, whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group. The consolidated accounts are prepared by Barworks Limited.

The directors maintain loan accounts with the company. At the year end, the company owed the directors £159,039 (2016 - £189,994).

During the year, the company received a management charge of £157,000 (2016 - £Nil) from an entity under common directorship.

Transactions with entities in which the directors have interests in the issued share capital:

Purchases - £462,432 (2016 - £1,457,207)
Year end creditor - £60,974 (2016 - £731,439)
Year end debtor - £1,922,966 (2016 - £Nil)

The directors received dividends during the year totalling £180,200 (2016 - £377,400).

## 30 *Controlling party*

In the opinion of the directors there is no ultimate controlling party in the current or previous years.

## 31 Secured debts

National Westminster Bank Plc holds a debenture against the net assets of the company, against the net assets of other undertakings within the Barworks group of companies plus a legal charge against the licensed premises of those companies and holds like security against the assets of the Barworks group of companies. This is all in order to secure borrowings under offset banking arrangements. In addition, personal guarantees of £100,000 each have been given by the three founding directors. The debenture and charges were satisfied post year end as part of the re-financing of the group's borrowings.

## 32 Cash generated from group operations

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Profit for the year after tax | 404,955 | 256,891 |
| Adjustments for: | | |
| Taxation charged | 136,314 | 99,726 |
| Finance costs | 101,632 | 81,014 |
| Investment income | (515) | (6,653) |
| Loss on disposal of tangible fixed assets | 83,115 | 34,531 |
| Amortisation of intangible assets | 23,063 | 18,762 |
| Depreciation of tangible fixed assets | 552,412 | 504,006 |
| Movements in working capital: | | |
| (Increase)/decrease in stocks | (47,256) | 12,794 |
| (Increase) in debtors | (1,972,285) | (29,344) |
| (Decrease) in creditors | (151,057) | (378,256) |
| **Cash (absorbed by)/generated from operations** | (869,622) | 593,471 |