

Financial Statements Philpotts (Holdings) Limited

For the year ended 30 September 2017



Company No. 05838607

Philpotts (Holdings) Limited

Financial statements for the year ended 30 September 2017

Company information

Company registration number

05838607

Registered office

146 - 156 Sarehole Road
Birmingham
B28 8DT

Directors

P May

Secretary

C Marsh

Auditor

Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
101 Cambridge Science Park
Milton Road
Cambridge
CB4 0FY

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Strategic Report

Principal activities

The principal activity of the company during the year was that of an intermediate holding company.

Business review and future developments

The profit for the year after taxation amounted to £nil (2016 – £948k). The directors have not recommended payment of a dividend (2016 - £nil).

The company will continue to operate as an intermediate holding company for the foreseeable future.

Principal risks and uncertainties

As an intermediate holding company, Philpotts (Holdings) Limited is indirectly exposed to the potential risks of its trading subsidiaries. These are continually monitored by the Board. Some of the key areas reviewed are the following:

Increased prices of key commodities and operating costs

The Group spends considerable time tracking the commodity prices of a number of products namely coffee, dairy, fruit, packaging, cocoa and wheat items, an increase in which could erode the Group's gross profit margin. Following the Brexit vote and the uncertainty surrounding Brexit strategy we have seen the cost of ingredient prices increase as the pound weakened. However the majority of ingredient prices peaked during the year and we are now beginning to see most price soften. To manage price risk we enter into supply agreements for certain periods of time depending upon the market. We do not commit to volumes but lengths of agreement which guarantees prices. This way the Group is able to reduce the risk to inflationary pressure.

Economic environment

In common with other restaurant businesses, the company relies on continuing levels of disposable income within the UK market place and a decline in the UK economy would have an impact on turnover. However, due to the nature of our product and market position as an upmarket patisserie, having this unique position helps to mitigate the economic market place. Our products are seen as affordable treats in times of uncertainty and also as a luxurious indulgence when celebrating and we saw little or no impact on sales from Brexit and experienced no impact on our workforce.

Competition

The Group operates in a highly competitive market putting pressure on margin and turnover growth. However, we continuously strive to be positioned between restaurants and coffee shops offering and having this diversity in our offerings, all day dining, an online channel and bespoke cake facilities ensures we are safeguarded in terms of margins and turnover.

Legislation

The licensed venue market is regulated and the Group continues to monitor legislation to ensure it complies to the current rules and regulations. As the Group continues to expand, all aspects of the business are being monitored to ensure no adverse conditions are created through this period of growth.

Strategic Report (continued)

Financial risk management objectives and policies

The company uses various financial instruments, these include cash, bank overdrafts and equity investments. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are liquidity risk and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by overdraft facilities.

Interest rate risk

The company finances its operations through a mixture of retained profits and bank overdrafts. The company exposure to interest rate fluctuations on its overdraft is managed by the use of fixed facilities.

Economic environment

In common with other restaurant businesses, the company relies on continuing levels of disposable income within the UK market place and a decline in the UK economy would have an impact on turnover.

Competition

The company operates in a highly competitive market putting pressure on margin and turnover growth.

Legislation

The licensed venue market is regulated and the company continues to monitor legislation to ensure it complies to the current rules and regulations.

Key performance indicators

The company is monitored in line with a number of key performance indicators.

Profit before tax

The company is measured against return from investments.

Internal control

The Board is ultimately responsible for the company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Strategic Report (continued)

The key elements of the company's control system are as follows:

- a comprehensive budgeting system with an annual budget approved by the Board
- actual results are compared monthly with budgets and past results, as appropriate
- all significant capital expenditure and organisational changes are reviewed and approved by the Board
- the integrity and competence of personnel is ensured through high recruitment standards and subsequent training
- a clearly defined organisation structure.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to be 'P May', written over a horizontal line.

P May
Director
24 November 2017

Report of the Directors

The directors present their report and the financial statements of the company for the year ended 30 September 2017.

Directors of the company

The names of the directors who served the company during the year are set out below:

P May

Statement of directors' responsibilities

The directors are responsible for preparing the Report of the Directors 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 laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

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

In so far as each of the directors is aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Report of the Directors (continued)

Disabled employees

The Group's policy of employment of disabled persons is to give full consideration to applications for employment having regard to their particular aptitudes and abilities and to encourage training and career developments for all employees, including disabled employees.

Employee involvement

The Group is an equal opportunity employer with particular reference to non-discrimination and non-harassment on the basis of ethnic origin, age, gender, religion, sexual orientation or disability. The company is run in a fully open manner and it strongly encourages its employees to provide their opinions on how the company is run. Regular management meetings are undertaken where all levels of management are fully informed of developments of the company and have a fully operational role in how the company functions. The company has put in place mechanisms to provide information to employees with particular emphasis on operational and health and safety matters. Regular meetings are held between site General Managers and Head Office Operational Management.

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

ON BEHALF OF THE BOARD



P May
Director
24 November 2017



Independent Auditor's Report to the Members of Philpotts (Holdings) Limited

Opinion

We have audited the financial statements of Philpotts (Holdings) Limited (the 'company') for the year ended 30 September 2017 which comprise statement of comprehensive income, the balance sheet and the statement of changes in equity 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 Financial Reporting Standard 101; Reduced Disclosure Framework (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 30 September 2017 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.

Who we are reporting to

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.

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 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.



Independent Auditor's Report to the Members of Philpotts (Holdings) Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report of the Directors and Strategic Report set out on pages 3 to 7, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in 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.

Matter on which we are required to report under the Companies Act 2006

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 or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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 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 for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



Independent Auditor's Report to the Members of Philpotts (Holdings) Limited

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

A handwritten signature in black ink that reads "Grant Thornton UK LLP".

David Newstead

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Cambridge

24 November 2017

Principal Accounting Policies

Company information

Philpotts (Holdings) Limited (the Company) is incorporated and domiciled in England and Wales and operates as an intermediate parent company.

The Company is a wholly owned subsidiary of Patisserie Holdings plc which prepares publicly available consolidated financial statements in accordance with IFRS. This Company is included in the consolidated financial statements of Patisserie Holdings plc for the year ended 30 September 2017. These accounts are available from the registered office at 146 - 156 Sarehole Road, Birmingham, B28 8DT.

Basis of accounting

The financial statements of the Company have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated.

The financial statements of the Company have been prepared under the historical cost convention and the financial information is presented in sterling.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- A statement of cash flows and related notes
- the requirement to produce a balance sheet at the beginning of the earliest comparative period
- the requirements of IAS 24 related party disclosures to disclose related party transactions entered in to between two or more members of the group as they are wholly owned within the group
- The effect of future accounting standards not adopted
- Certain share based payment disclosures
- Disclosures in relation to impairment of assets

Principal Accounting Policies

Going Concern

After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Equity

Equity comprises the following:

- Share capital: the nominal value of equity shares.
- Share premium: includes any premium received on the sale of shares. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any income tax benefits.
- Retained earnings: retained profits available for distribution.

Accounting estimates and judgements

The preparation of financial statements under IFRS requires the company to make estimates and judgements that effect the application of policies and reported amounts. Estimates and judgements are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below:

Estimations

- Impairment

An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Statement of Comprehensive Income

	Note	2017 £'000	2016 £'000
Income from shares in group undertakings		-	948
Profit on ordinary activities before taxation	1	-	948
Tax on profit on ordinary activities		-	-
Profit after tax and total comprehensive income for the financial year		-	948

All activities of the company are classed as continuing.

Balance Sheet

	Note	£'000	2017 £'000	£'000	2016 £'000
Fixed assets					
Investments	4		<u>6,477</u>		<u>6,477</u>
					6,477
Current assets					
Debtors		-		-	
Creditors: amounts falling due within one year		<u>-</u>		<u>-</u>	
Net current assets			<u>-</u>		<u>-</u>
Total assets less current liabilities			<u>6,477</u>		<u>6,477</u>
Net Assets			<u>6,477</u>		<u>6,477</u>
Capital and reserves					
Called up share capital	5		1,000		1,000
Profit and loss account			<u>5,477</u>		<u>5,477</u>
Total Shareholders' funds			<u>6,477</u>		<u>6,477</u>

These financial statements were approved by the Board of Directors and authorised for issue on 24 November 2017. They were signed on its behalf by:

P May
Director



Registration number 05838607

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	£'000	£'000	£'000
As at 1 October 2015	1,000	4,529	5,529
Result and total comprehensive income for the year	-	948	948
	1,000	5,477	6,477
Transactions with owners			
Dividends paid	-	-	-
As at 30 September 2016	1,000	5,477	6,477
Result and total comprehensive income for the year	-	-	-
	1,000	5,477	6,477
Transactions with owners			
Dividends paid	-	-	-
As at 30 September 2017	1,000	5,477	6,477

Notes to the Financial Statements

1 Profit on ordinary activities before taxation

Auditor remuneration of £1,000 (2016: £1,000) is borne by Philpotts Limited, a subsidiary of the company.

2 Directors and employees

The average number of employees of the company during the year was nil (2016 – nil). There was 1 director (2016: 1) employed by the company during the year.

The directors did not receive any remuneration from the company (2016 - £nil).

3 Taxation

There was no taxation charge for the year (2016: £nil).

4 Fixed asset investments

	Investment in group undertakings £'000
Cost and net book value At 1 October 2016 and 30 September 2017	<u>6,477</u>

The following are the material subsidiaries of the company:

Company	Country of incorporation	Class of share held	Proportion held %	Registered office
Subsidiary undertakings				
	England and Wales			146-156 Sarehole Road, Birmingham, B28 8DT
Philpotts Limited		Ordinary	100	

Philpotts Limited's principal activity is that of sandwich retailer.

Notes to the Financial Statements

5 Share capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid		
Equity shares		
1,000,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

The company has one class of ordinary shares which carry no right to fixed income.

6 Contingent Liabilities

The company has a cross company guarantee with its connected companies, namely Patisserie Valerie Limited, Leonardo Limited, Patisserie Valerie Express Limited, Hewmark Limited, Spice Bakery Limited, Flour Power City Limited, Stonebeach Limited, Philpotts Limited, Patisserie Valerie Holdings Limited and Patisserie Acquisition Limited. This guarantees the Patisserie Holdings plc group bank loan of £4 million. If Group defaults on that loan the company will be required to make good. The directors believe the financial condition of the Group is such that this guarantee will not be called upon. There was £nil outstanding liability at the end of the current and prior year.

7 Controlling party

The ultimate parent undertaking of this company is its parent company, Patisserie Holdings plc, incorporated in England and Wales.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Patisserie Holdings plc incorporated in England and Wales. Copies of group accounts can be obtained from Companies House.