

**Carluccio's Limited**

Financial Statements for the  
period ended 23 September 2018

Registered number: 02001576

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COMPANIES HOUSE

## **COMPANY INFORMATION**

### **DIRECTORS:**

Mark Jones (Chief Executive Officer)  
Andrew Campbell (Chief Financial Officer)  
Nitin Ramchandani (Non Executive Director)  
Anuraag Malhotra (Non Executive Director)

### **REGISTERED OFFICE:**

35 Rose Street  
Covent Garden  
London  
WC2E 9EB

### **REGISTERED NUMBER:**

02001576

### **AUDITORS:**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

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## Carluccio's Limited

### STRATEGIC REPORT

Carluccio's uniquely combines the retailing of high quality Italian food with a full-service Italian restaurant in the same location. The Company remains focussed on the all-day dining sector.

As is well documented, the market conditions for the branded all-day dining sector have been extremely challenging with increasing competition and continuing material increases in payroll costs from the National Living Wage and rising pension contributions, while property costs have also continued to increase, in particular rents & business rates.

As a result of these conditions the directors took the difficult decision to seek a Company Voluntary Agreement. On 31 May 2018 creditors approved plans to enter into a Company Voluntary Arrangement which allowed the business to exit 28 poor performing sites by January 2019, and provided an additional £10m funds from the Company's owners to support the recovery plan, which will see substantial re-investment in the remaining estate.

As well as the additional funds provided by the owner, the shareholder loan notes were materially restructured in the previous year. A further, smaller restructure to the loan notes occurred at the beginning of this year.

The Company opened a further three Carluccio's within the UK during the year in review in Bracknell, Marriott Heathrow and Marriott Maida Vale. Seventeen locations were closed during the year of which fourteen were the result of the CVA process. Subsequent to the year-end, a further fourteen sites have been closed as a result of the CVA process.

Our Franchise partner in Dubai opened three sites during the year whilst two sites were closed. Post year end, two sites have closed in Dubai and the one site in Turkey has also been closed. At the year end, the Company traded from 89 locations in the UK and 14 franchised locations, a total of 103 locations.

The Board of Directors and senior management receive a wide range of indicators to enable accurate management of progress. Some of the more important ones are discussed below.

#### *Sales Revenue and Growth*

The company has had a challenging trading year, which has resulted in a decline in turnover of 3.5% (2017: -2.0%) to £133.4m (2017:£138.2m).

#### *Operating Loss*

The business has incurred material exceptional costs of £13.3m (2017: £25.9m) this year, as a result of the CVA and subsequent review of the carrying value of assets. This has resulted in operating losses of £11.7m (2017 £27.3m) reflecting a re-assessment of the carrying values of each restaurant. The 2018 results fully account for the impact of the closure of the 28 loss-making sites as part of the CVA.

#### *Outlook*

The development of the new "Fresca" concept was piloted in Richmond from February 2019 with very strong results and has since been extended to Bluewater & Heathrow T5 with further transformations planned. The Board of Directors believes that the financial restructuring, increased investment in the core business & new senior management team will secure the long-term future of the business. In parallel, head office costs will materially reduce as central support functions are re-aligned behind the smaller estate. The Company has the full support from the owner based on the improved property portfolio and turnaround plans.

### Principal uncertainties and risks

#### *Economic environment*

Following the Brexit vote, economic growth in the UK remains uncertain and therefore discretionary expenditure, including eating out of the home, could be adversely impacted. However, the Directors are able to adjust capital expenditure if necessary, to offset any cash impact from softer trading conditions to maintain positive cash flows.

#### *Foreign Currency*

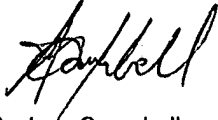
The Group imports a large proportion of its products from Europe, either directly or indirectly through distributors. This means that it is sensitive to movements in the Sterling/Euro exchange rate, which may result in higher food input costs. The Company constantly reviews its supply chain to ensure it minimises the impact of food inflation.

#### *Employees*

The Company employs a large number of staff in an industry where turnover can be high, meaning that there is an operational risk of running individual sites if a number of employees leave the business. Carluccio's offers a "best in class" training programme for its employees and monitors employee engagement to remain an attractive employer.

**Carluccio's Limited****STRATEGIC REPORT (continued)**

This report was approved by the board of directors on 28 June 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'A. Campbell', written in a cursive style.

Andrew Campbell  
Director

(registered number 02001576)

## Carluccio's Limited

### DIRECTORS' REPORT

The directors present their report and the financial statements of Carluccio's Limited ("the Company") for the 52 weeks ended 23 September 2018. The comparative figures are for the 52 weeks ended 24 September 2017.

### RESULTS AND DIVIDENDS

The Statement of Comprehensive Income is set out on page 7 and shows the loss for the financial period. An interim dividend of nil (2017: nil) per ordinary share was paid during the period (note 12). No final dividend is declared (2017: nil).

### POST BALANCE SHEET EVENTS

Details of post balance sheet events are contained in note 32 to the financial statements.

### DIRECTORS

The directors, who served throughout the period unless stated below, were as follows:

Neil Wickers	<i>Chief Executive Officer (resigned 8 January 2018)</i>
Mark Jones	<i>Chief Executive Officer (appointed 29 January 2018)</i>
Andrew Campbell	<i>Chief Financial Officer (appointed 15 January 2018)</i>
Peter Casey	<i>Chief Operating Officer (appointed 13 July 2017, resigned 30 April 2018)</i>
Nitin Ramchandani	<i>Non-Executive</i>
Anuraag Malhotra	<i>Non-Executive</i>

### DIRECTORS' REMUNERATION

All directors are employed under service contracts with the immediate parent company, C1 Acquisitions Limited.

No executive director has a notice period in excess of 12 months and no non-executive director has a notice period in excess of 6 months. Details of Directors' Remuneration are contained in note 10 to the financial statements.

### EMPLOYEES

Carluccio's employees are encouraged to participate in and contribute to the success of the Company through incentive schemes. The Company takes a positive view of employee communication and has established systems for keeping employees informed of developments and also for regular consultation. Annual appraisals provide the opportunity for constructive feedback, recognition and succession planning.

The Company wholeheartedly supports the principle of Equal Opportunities and does not discriminate between employees or potential employees on the grounds of colour, race, nationality, ethnic or national origin, gender, sexual orientation, religion or similar belief, marital status, age or disability. Consideration is given to all applicants for employment from candidates with disabilities where the requirements of the job can be met. Where reasonable and practicable within existing legislation, all persons and employees that have become disabled have been treated in the same way in matters relating to employment, training, career development and promotion.

### FINANCIAL INSTRUMENTS

Details of the use of financial instruments by the Company are contained in note 29 to the financial statements.

### INDEMNITY COVER

Third party indemnity cover was in force for the directors during the financial period.

**Carluccio's Limited****DIRECTORS REPORT (continued)****DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the strategic report, the 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 group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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;
- state whether International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

**AUDITORS**

BDO LLP, who were appointed during the prior year, have signified their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

**GOING CONCERN**

The Board is excited about the potential of the Fresca concept and has seen early evidence of operational improvement. The cash flow forecasts prepared by management indicate that the business will show continued improved performance, satisfy its covenants and meet its liabilities as they fall due. While trading conditions remain volatile, the group benefits from the support of its shareholder through both a guarantee on the external financing facilities, as well as the commitment to any additional funds required to continue in operational existence and to meet its liabilities as they fall due for the foreseeable future. Therefore, the financial statements contained herein are prepared on a going concern basis.

Liquidity risks are considered in more detail in note 29.

On behalf of the Board



Andrew Campbell  
Director

28 June 2019  
(registered number 02001576)

## Carluccio's Limited

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARLUCCIO'S LIMITED

#### Opinion

We have audited the financial statements of Carluccio's Limited ("the Company") for the period from 25 September 2017 to 23 September 2018 which comprise the statement of comprehensive income, the statement of changes in equity, the balance sheet, the 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 23 September 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

#### Conclusions relating to going concern

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

- the 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.

#### Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, 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 Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.



**Carluccio's Limited****INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARLUCCIO'S LIMITED (continued)**

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**

As explained more fully in the Directors' responsibilities statement, 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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.

**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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to 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.



Mark RA Edwards (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
London, United Kingdom

28 June 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

**STATEMENT OF COMPREHENSIVE INCOME**

For the period ended 23 September 2018		52 weeks ended 23 September 2018	52 weeks ended 24 September 2017
	Note	£'000	£'000
Revenue	4	133,437	138,198
Cost of sales		(123,072)	(130,409)
<b>GROSS PROFIT</b>		<u>10,365</u>	<u>7,789</u>
Administrative expenses - pre-exceptional items		(8,710)	(9,243)
Administrative expenses - exceptional items	11	(13,335)	(25,893)
Total administrative expenses		(22,045)	(35,136)
<b>OPERATING (LOSS)</b>	6	<u>(11,680)</u>	<u>(27,347)</u>
Finance income		1	1
Finance expense	7	(634)	(392)
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		<u>(12,313)</u>	<u>(27,738)</u>
Income tax (charge)/ credit	8	(7)	1,576
<b>(LOSS) / PROFIT FOR THE FINANCIAL PERIOD</b>		<u>(12,320)</u>	<u>(26,162)</u>
Other comprehensive income for the period		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u>(12,320)</u>	<u>(26,162)</u>

The notes on pages 11 to 30 form part of these financial statements.

All the above activities relate to continuing operations.

STATEMENT OF CHANGES IN EQUITY

For the period ended 23 September 2018

	Share capital	Share premium account	Retained earnings	Total Equity
	£'000	£'000	£'000	£'000
<b>At 25 September 2016</b>	3,179	6,042	39,055	48,276
Loss for the financial period	-	-	(26,162)	-
Total comprehensive income for the period	-	-	(26,162)	26,162
<b>At 24 September 2017</b>	3,179	6,042	12,893	22,114
Loss for the financial period	-	-	(12,320)	(12,320)
Total comprehensive income for the period	-	-	(12,320)	(12,320)
<b>At 23 September 2018</b>	3,179	6,042	573	9,794

The notes on pages 11 to 30 form part of these financial statements.

## Carluccio's Limited

## BALANCE SHEET

As at 23 September 2018		2018	2017
	Note	£'000	£'000
<b>NON CURRENT ASSETS</b>			
Intangible assets	13	404	720
Property, plant and equipment	14	25,151	35,862
Investment in subsidiaries	15	1,893	1,893
Trade and other receivables	18	-	-
Prepaid operating lease charges	16	378	467
		<u>27,826</u>	<u>38,942</u>
<b>CURRENT ASSETS</b>			
Inventories	17	1,622	1,803
Corporation tax assets		21	31
Trade and other receivables	18	13,135	11,823
Prepayments		3,510	4,993
Prepaid operating lease charges	16	80	237
Cash and cash equivalents		801	149
		<u>19,169</u>	<u>19,036</u>
<b>TOTAL ASSETS</b>		<u>46,995</u>	<u>57,978</u>
<b>CURRENT LIABILITIES</b>			
Bank overdraft		-	280
Loans and borrowings	19	5,500	6,000
Trade payables	20	5,757	5,577
Other tax and social security	21	3,654	4,634
Accruals and deferred income	22	11,079	9,714
Provisions	23	932	1,873
		<u>26,922</u>	<u>28,078</u>
<b>NON-CURRENT LIABILITIES</b>			
Accruals and deferred income	22	4,935	6,967
Deferred tax liabilities	24	-	-
Provisions	23	344	819
Intercompany loans	10	5,000	-
		<u>10,279</u>	<u>7,786</u>
<b>TOTAL LIABILITIES</b>		<u>37,201</u>	<u>35,864</u>
<b>NET ASSETS</b>		<u>9,794</u>	<u>22,114</u>
<b>EQUITY</b>			
Share capital	25	3,179	3,179
Share premium account		6,042	6,042
Retained earnings		573	12,893
<b>TOTAL EQUITY</b>		<u>9,794</u>	<u>22,114</u>

The notes on pages 11 to 30 form part of these financial statements.

The financial statements were approved by the Board of directors and authorised for issue on 28 June 2018 and signed on its behalf by:



Andrew Campbell (Director)  
(registered number 02001576)

## Carluccio's Limited

## STATEMENT OF CASH FLOWS

For the period ended 23 September 2018

		52 weeks ended 23 September 2018	52 weeks ended 24 September 2017
		£'000	£'000
<b>(Loss) / Profit before taxation</b>		<b>(12,313)</b>	<b>(27,738)</b>
Depreciation of property, plant & equipment	6	5,139	7,176
Amortisation of prepaid operating lease charges	6	83	257
Amortisation of intangible assets	6	392	525
Net finance costs		633	391
(Profit)/Loss on sale of property, plant and equipment	6	787	1,128
Impairment of property, plant and equipment	11	9,625	20,842
Impairment of pre-paid operating lease charges	11	162	1,493
Movement on onerous lease provision	23	(1,416)	2,218
<b>Cash flows from operating activities before changes in working capital</b>		<b>3,092</b>	<b>6,292</b>
Inventories		181	159
Trade and other receivables		(1,312)	(988)
Prepayments		1,483	(566)
Trade and other payables		(1,466)	1,822
Cash generated from operating activities before tax		1,978	6,719
Corporation tax received / (paid)		3	(8)
<b>Net cash inflow from operating activities</b>		<b>1,981</b>	<b>6,711</b>
<b>Cash flows from investing activities</b>			
Finance income		1	1
Proceeds from sale of property, plant and equipment		-	29
Payments to acquire intangible assets	13	(76)	(335)
Payments to acquire property, plant and equipment	14	(4,840)	(9,185)
<b>Net cash used in investing activities</b>		<b>(4,915)</b>	<b>(9,490)</b>
<b>Cash flows from financing activities</b>			
Finance cost	7	(634)	(363)
Intercompany loans drawn-down	10	5,000	-
Bank loans drawn-down/(repaid)	19	(500)	1,000
<b>Net cash from/(used in) financing activities</b>		<b>3,866</b>	<b>637</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>932</b>	<b>(2,142)</b>
<b>Cash and cash equivalents at start of period</b>		<b>(131)</b>	<b>2,011</b>
<b>Cash and cash equivalents at end of period</b>		<b>801</b>	<b>(131)</b>
<b>Cash and cash equivalents comprise:</b>			
Cash and cash equivalents		801	149
Bank overdraft		-	(280)
<b>Total</b>		<b>801</b>	<b>(131)</b>

The notes on pages 11 to 30 form part of these financial statements.

## Carluccio's Limited

### NOTES TO THE FINANCIAL STATEMENTS For the period ended 23 September 2018

#### 1 GENERAL INFORMATION

The financial statements of the Company for the period ended 23 September 2018 were authorised for issue in accordance with a resolution of the directors on 28 June 2019.

Carluccio's Limited is incorporated in the United Kingdom with registration number 02001576. The Company is domiciled in the United Kingdom and has its registered office at 35 Rose Street, London WC2E 9EB.

#### 2 ACCOUNTING POLICIES

##### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB) and as endorsed by the European Union.

##### Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost basis. The financial statements are presented in sterling, rounded to the nearest thousand, except where indicated otherwise.

The financial statements are prepared to the end of whole week (Sunday) ending within 7 days of 30 September which will be a 52 or 53 week period.

##### Changes in accounting policies

At the date of authorisation of these financial statements, the following new and revised Standards and interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in the financial statements.

IAS 12 (Amended) Recognition of Deferred Tax Assets for Unrealised Losses  
IAS 7 (Amended) Disclosure Initiative

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 9 (Revised) Financial Instruments  
IFRS 15 (Revised) Revenue from Contracts with Customers  
IFRS 16 (Issued) Leases  
IFRS 2014 – 2017 Cycle

The Directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

IFRS 9 will impact both the measurement and disclosure of financial instruments, but will not impact on the underlying cash flows of the Company.

IFRS 16 will require the group to recognise a liability and right of use asset for the majority of the leases currently treated as operating. This will affect fixed assets, current and non-current liabilities, and the measurement disclosure of expenses associated with the leases (depreciation and interest expense compared to operating lease rentals currently). It is not practicable to provide a reasonable estimate of the effects of the 'adoption of IFRS 16 until a detailed review has been completed, given the complexity of the standard and volume of leases

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

The significant accounting policies adopted by the Company are as follows:

##### Going concern

The Board is excited about the potential of the Fresca concept and has seen early evidence of operational improvement. The cash flow forecasts prepared by management indicate that the business will show continued improved performance, satisfy its covenants and meet its liabilities as they fall due.

## Carluccio's Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 2 ACCOUNTING POLICIES (continued)

##### Going Concern (continued)

While trading conditions remain volatile, the group benefits from the support of its shareholder through both a guarantee on the external financing facilities, as well as the commitment to any additional funds required to continue in operational existence and to meet its liabilities as they fall due for the foreseeable future. Therefore, the financial statements contained herein are prepared on a going concern basis.

##### Revenue

Revenue consists of sales to customers and franchise income excluding sales tax. Sales to customers represent amounts received or receivable for goods and services provided in the normal course of business (net of VAT and voluntary gratuities left by customers for the benefit of employees). Revenue is recognised at the point of delivery of goods and services to customers.

Franchise income comprises store opening fees and on-going fees. Store opening fees are negotiated between both parties and the precise terms are specific to each franchise agreement. Store opening fees are payable prior to the opening of each store and are recognised at that time. The first store opening fee is usually higher than subsequent store opening fees reflecting the substantial transfer of value that occurs between the Company and the franchisee prior to the opening of the first store. On-going fees are based on a percentage of franchisee turnover and are recognised throughout the year.

##### Other Operating Income

Other Income is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. These amounts are received outside the normal course of trading.

##### Pensions

In accordance with the Pensions Act 2008, all of the Company's qualifying employees are enrolled into a pension scheme in accordance with the principles of the Act. The legislation requires that all employees are automatically enrolled in a workplace pension scheme provided that they meet certain qualifying criteria. Employees are allowed to opt out of the pension scheme if they so wish; employers are strictly forbidden from encouraging or facilitating opting out.

The Company contributes to defined contribution schemes for qualifying employees. The Company has no exposure to defined benefit pension schemes. Payments to defined contribution pension schemes are charged as an expense as they fall due.

##### Pre-opening expenses

Property rentals and other overhead expenses incurred prior to a new restaurant opening are expensed in the Statement of comprehensive income in the period in which they are incurred. Similarly, the costs of training new staff during the pre-opening phase are written off as incurred.

##### Deferred and current tax

In accordance with IAS 12, income taxes, current taxes and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities, based on tax rates and legislation that is enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base. The balance sheet method is used to calculate the deferred tax, on an undiscounted basis, at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates and legislation that is enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised only to the extent that it is probable that there will be sufficient taxable profit available to offset against the deductible temporary differences, carried forward tax credits or losses. Deferred tax is charged or credited directly to the statement of comprehensive income unless it relates to items charged or credited to equity in which case it is also accounted for within equity.

## Carluccio's Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 2 ACCOUNTING POLICIES (continued)

##### Intangibles (continued)

###### Computer Software

Computer software is stated at cost less accumulated amortisation and any impairment loss. Externally acquired or developed software and software licences are capitalised at the cost of bringing the software into use within the business. Computer software is only capitalised when it is separately identifiable and is not bundled with any computer hardware. Software that is bundled with hardware is treated as an integral part of the hardware and classified within property, plant and equipment. Computer software is considered to have a finite economic life of 3 years and is amortised over this period on a straight line basis through cost of sales or administrative expenses in the Statement of Comprehensive Income. The classification is dependent on where the software is used: if in the cafes then amortisation is classified as part of cost of sales; if in the Head Office then as part of administrative expenses.

###### Trademarks

Where the Company incurs costs that protect the Carluccio's trademark in various territories around the World, such costs are capitalised and amortised over their estimated useful lives. Trademarks are stated at cost less accumulated amortisation and any impairment loss. Trademarks are considered to have a useful life of between 6 and 20 years. The resultant amortisation is included within administrative expenses in the Statement of Comprehensive Income.

###### Impairment

The Company considers at each balance sheet date whether there is any indication that assets have become impaired. If any such indication exists or when annual impairment testing for an asset is required, the Company makes an estimate of the recoverable amount. If the carrying value of the asset is higher than the recoverable amount (higher of value in use and fair value less costs to sell), a provision for impairment is made and charged to the statement of comprehensive income. In subsequent years, a previously recognised impairment provision may be reversed in whole or in part if there has been a change in the estimates used to determine the asset's recoverable amount.

##### Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

###### Development costs

Costs associated with the development and opening of new Carluccio's restaurants in relation to certain staff, where their time is directly attributable to the development of specific assets have been capitalised.

###### Depreciation

Depreciation is calculated to write down the costs of assets over their estimated useful economic lives using the straight line method. The estimated useful lives are as follows:

Leasehold improvements	5 to 35 years, according to lease terms
Furniture, fixtures, CCU* and computer equipment	3 to 10 years
Development costs	in accordance with lease term

\*Crockery, cutlery and utensils

Depreciation is charged to cost of sales in the Statement of Comprehensive Income if the asset is used in the cafes and charged to administrative expenses in the Statement of Comprehensive Income if the asset is used in Head Office.

Assets in the course of construction are not depreciated until the asset is ready for use.

###### Impairment

The Company considers at each balance sheet date whether there is any indication that assets have become impaired. If any such indication exists or when annual impairment testing for an asset is required, the Company makes an estimate of the recoverable amount. If the carrying value of the asset is higher than the recoverable amount (higher of value in use and fair value less costs to sell), a provision for impairment is made and charged to the Statement of Comprehensive Income. In subsequent years, a previously recognised impairment provision may be reversed in whole or in part if there has been a change in the estimates used to determine the asset's recoverable amount.



## Carluccio's Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 2 ACCOUNTING POLICIES (continued)

##### Investment in subsidiary

Investments are initially recognised at cost plus directly attributable transactions costs. The carrying value of the investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

##### Dividends and non-cash distributions

Dividends and non-cash distributions to holders of equity instruments are recognised in the financial statements when appropriately authorised for payment and no longer at the discretion of the Directors.

##### Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency, are translated using the exchange rates as at the dates of the initial transactions. Transactions in foreign currencies are translated into Sterling at a rate ruling on the date of the transaction unless a contracted rate has been negotiated, in which case that rate is used.

Exchange differences are recognised in the profit and loss in the period in which they arise.

##### Leases

###### Finance Leases

Leases classified as finance leases are those where the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases. After examining its portfolio of property leases, the Company has determined that none of its leases satisfy the criteria for classification as a finance lease and accordingly all property leases have been classified as operating leases.

###### Operating Leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. To the extent that any turnover based rent is payable, this is recognised when the liability arises.

###### Lease premiums

Lease premiums are usually paid as consideration to a landlord or an outgoing tenant of a property before the expiry of the lease term on that property. These payments are treated as prepaid operating lease costs and classified as such. These costs are subsequently amortised over the period of the lease term.

###### Lease incentives

The Company is able to secure lease incentives, for example rent-free periods and cash inducements, on certain of its properties, through negotiation with the landlord. Lease incentives are deferred and amortised over the full lease term. They are included within current and non-current deferred income on the balance sheet.

###### Onerous Leases

If the Company ceases trading from a location and where the unavoidable costs of that lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

##### Inventories

Inventories are initially recognised at cost and subsequently stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred to dispose of the inventory.

##### Financial instruments

###### Financial assets

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost, reduced by any appropriate allowances for irrecoverable amounts. Trade receivables are provided against where there is objective evidence that amounts are not recoverable.

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits. Short-term deposits are classified as such where the original maturity of the deposit is 3 months or less.

###### Financial liabilities

The Company's financial liabilities consist only of trade and other payables and accruals, which are initially recognised at fair value and subsequently carried at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****2 ACCOUNTING POLICIES (continued)****Financial instruments (continued)**Derivative financial instruments

The Company uses derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 29.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the profit or loss within foreign exchange immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining contractual period to maturity, of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

**Exceptional Items**

The Company classifies specific items of income and expenses separately, where the nature of the item is deemed significant in terms of size or nature that separate disclosure outside of Administrative Expenses would aid understanding of the financial statements. Such items include the impairments of assets and the losses incurred following closure of stores.

**3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements under IFRS requires the directors to make estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions. The estimates and assumptions that are considered to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed in more detail below.

**(a) Accruals**

In order to provide for all valid liabilities which exist at the balance sheet date, an estimate is made and accrued for certain costs or expenses which have not been invoiced and therefore the amount of which cannot be known with certainty. Such accruals are based on the best judgement and past experience of the Directors. Delayed billing in some significant expense categories such as utility costs can lead to sizeable levels of accruals. The total value of accruals as at the balance sheet date is set out in note 22.

**(b) Useful lives of property, plant and equipment**

Property, plant and equipment are depreciated over their estimated useful lives. Useful lives are based on the Directors' estimates of the period that the assets will generate revenue and are periodically reviewed for continued appropriateness. Changes to these estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income as depreciation in a particular period. The current rates of depreciation are set out in the accounting policies.

**(c) Deferred taxation**

The deferred tax liability provided in the accounts is based on temporary differences between the tax written down values of assets and liabilities in the accounts and their carrying values in the accounts and as such, it is dependent on assumptions made in the Company's corporation tax computations. The assumptions on the proportion of certain elements of capital expenditure which will be eligible for tax relief are subjective and the final amounts agreed with HMRC could differ from the provision currently made in the financial statements.

**(d) Onerous Leases**

Provisions for onerous lease commitments are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the amount can be measured reliably.

The Directors provide for onerous obligations under operating leases where the property is closed, vacant. Provision is made for rent and other property related costs for the period the Directors believe a sub-let or assignment of the lease is not probable.

## Carluccio's Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

##### (d) Onerous Leases (continued)

The estimated timings and amounts of relevant cash flows are determined using the experience of internal and external property experts. Any changes to the estimated method of exiting from the property could lead to significant changes to the level of the provision recorded.

##### (e) Asset Impairment

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial period end.

Intangible assets with indefinite useful lives are tested for impairment annually in accordance with IAS 36. Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposing of the asset. The value in use calculation is based on a discounted cash flow model for which it has been necessary to make a number of assumptions and estimates. These assumptions and estimates cover critical areas such as future cash flows arising from future business performance, and rely in part on past performance providing a good guide to future performance. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The actual results may differ materially from these assumptions and estimates and therefore the actual impairment loss may be different from that provided for.

In reviewing tangible assets for impairment in accordance with IAS 36, it has been necessary to make estimates and judgements regarding the future performance and cash flows generated by individual trading units which cannot be known with certainty. Past performance will often be taken as the best available guide to future performance, unless it is known that the circumstances surrounding a particular trading unit have changed. Consideration has been made of revenue growth rates, outcomes of future rent reviews and changes in internal performance among other requirements. Where the circumstances surrounding a particular trading unit have changed or will change in the future then it can be even more difficult to forecast future performance. For these reasons the actual impairment required in the future may differ from the charge made in the financial statements. Details of any impairment charge required in the financial statements are provided in note 11.

#### 4 SEGMENTAL INFORMATION

Revenue is attributable to the principal activity of the Company, which is carried out substantially in the United Kingdom. The Company operates in one business sector (cafe and food shops) and in substantially one geographical market (the United Kingdom), therefore no segmental information is presented.

#### 5 OTHER OPERATING INCOME

No other operating income has been received in year.

## Carluccio's Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 6 OPERATING LOSS

Operating loss is stated after charging / (crediting):

	52 weeks ended 23 September 2018 £'000	52 weeks ended 24 September 2017 £'000
Operating lease rentals for land and buildings – minimum contract amounts	12,925	13,403
Operating lease rentals for land and buildings – turnover based amounts	1,630	1,633
Amortisation of intangible assets	392	525
Depreciation of property, plant and equipment	5,139	7,176
Amortisation of prepaid operating lease charges	83	256
Net foreign exchange currency differences	27	2
Pre-opening expenses (including pre-opening rent)	1,052	1,572
Onerous lease provision	1,159	2,517
Loss/(profit) on disposal of assets	787	1,128
CVA and store closure costs	2,335	-
Lease premium received	(700)	-
Impairment of tangible fixed assets	9,625	20,842
Impairment of prepaid operating lease charges	162	1,493

Of the £787,000 loss on disposal of assets, £754,000 is exceptional, relating to the disposal of assets on the closure of 25 UK sites, including those closed as part of the CVA. The remaining loss on disposal of assets relates to disposals made in the normal course of business in ongoing trading sites.

Amounts payable to the Company's auditors, BDO LLP, in respect of both audit and non audit services:

	52 weeks ended 23 September 2018 £'000	52 weeks ended 24 September 2017 £'000
Audit services - statutory audit of financial statements	74	72
Other services	48	37
Total	<u>122</u>	<u>109</u>

'Other services' in the current and prior years related to tax compliance services and other tax and advisory services.

## 7 FINANCE EXPENSE

	52 weeks ended 23 September 2018 £'000	52 weeks ended 24 September 2017 £'000
Bank interest payable	527	363
Intercompany interest payable	107	-
Unwinding of discount on provisions	-	29
Total	<u>634</u>	<u>392</u>

## Carluccio's Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 8 INCOME TAX CHARGE/ (CREDIT)

	52 weeks ended 23 September 2018 £'000	52 weeks ended 24 September 2017 £'000
UK Corporation tax		
Current tax on profits for the period	-	-
Adjustment in respect of prior periods	7	142
	<u>7</u>	
Total current tax		142
Deferred tax		
Current year credit	-	(1,747)
Prior year adjustments	-	29
	<u>-</u>	<u>(1,718)</u>
Total deferred tax		(1,718)
Total charge/ (credit) for the period	<u>7</u>	<u>(1,576)</u>

The charge for the year can be reconciled to the loss in the statement of comprehensive income as follows:

	52 weeks ended 24 September 2017 £'000	52 weeks ended 24 September 2017 £'000
(Loss)/Profit before taxation	(12,320)	(27,738)
(Loss)/Profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 19% (2017: 20%)	(2,341)	(5,412)
Adjustments for the effect of:		
Expenses not deductible for tax purposes	833	1,163
Adjustment to prior year tax charge	7	142
Adjustment to prior year deferred tax charge	-	29
Effect of deferred tax rate change	159	632
Deferred tax not recognised	1,349	2,539
Group relief	-	(669)
Total charge/ (credit) for the period	<u>7</u>	<u>(1,576)</u>

In the prior year group relief was afforded from losses in the wholly owned subsidiary Carluccio's USA Limited and the Company's parent, C1 Acquisitions Limited.

The Finance (No.2) Act 2015 introduced a reduction in the main rate of the corporation tax from 20% to 19% from April 2017 and from 19% to 18% from April 2020, these reductions were substantively enacted on 26 October 2015.

The Finance Act 2017, introduced a further reduction in the main rate of corporation tax to 17% from April 2020. This was substantively enacted on 6 September 2017. Since these reductions have been substantively enacted any deferred tax provision at the balance sheet date has been calculated using 17%.

# Carluccio's Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9 EMPLOYEES

	52 weeks ended 23 September 2018 £'000	52 weeks ended 24 September 2017 £'000
Staff costs (including directors) consist of:		
Wages and salaries	47,450	48,721
Social security costs	3,425	3,552
Pension costs	410	320
	<u>51,285</u>	<u>52,593</u>

The average monthly number of persons, including executive directors, employed by the Company during the period was:

	52 weeks ended 23 September 2018 Number	52 weeks ended 24 September 2017 Number
Administration	73	78
Caffe & Food Shops	2,867	2,962
	<u>2,940</u>	<u>3,040</u>

### 10 RELATED PARTY TRANSACTIONS

Related party transactions during the period comprised compensation of directors, regarded as key management personnel, and transactions with the Middle East franchises, which are held by the Landmark Group, the Company's parent group.

Directors	52 weeks ended 23 September 2018 £'000	52 weeks ended 24 September 2017 £'000
Emoluments	565	679
Contributions to money purchase pension schemes	-	11
	<u>565</u>	<u>690</u>

The remuneration of directors disclosed above include the following amounts paid to the highest paid director:

	52 weeks ended 23 September 2018 £'000	52 weeks ended 24 September 2017 £'000
Emoluments	210	283
Contributions to money purchase pension schemes	-	-
	<u>210</u>	<u>283</u>

### Franchised undertakings

During the period ended 23 September 2018, the Company entered into transactions with franchisees owned by the Landmark Group.

#### Middle East

On 21 July 2008, the Company granted a franchise to Landmark Food Limited, a subsidiary of the Landmark Group, one of the largest retail conglomerates in the Middle East. The agreement was renewed on 22 January 2019 for a further 10 year period. The development rights are for seven countries in the Middle East. The first Carluccio's opened in March 2009 in Dubai. As at year end there are ten sites (2017: ten sites) operating in Dubai and three sites (2017: one site) operating in Qatar. During the current period two sites opened in Qatar.

# Carluccio's Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10 RELATED PARTY TRANSACTIONS (continued)

#### Turkey

On 27 September 2011, the Company granted a franchise agreement to Carluccio's Gida Ve Restoran Isletmeciligi San. Ve Tic. Ltd. Sti, a company incorporated in Turkey and a subsidiary of the Landmark Group. The agreement is for an initial ten year period with the possibility of a further ten year extension. During the period ended 23 September 2018 two sites were closed and no additional sites were opened. As at year end there is one site (2017: three sites) operating in Turkey.

Amounts recharged to the Landmark group and balances at the period end are as follows:

	52 weeks ended 23 September 2018 £'000	52 weeks ended 24 September 2017 £'000
Sales commission	698	1,081
Opening fees	17	20
Recharged costs	13	28
	<u>728</u>	<u>1,129</u>

Of these transactions, £96,000 remains outstanding at the year end (2017: £199,000).

#### Immediate parent undertaking

The Company has entered into transactions with its immediate parent undertaking, C1 Acquisitions Limited. Transactions entered into and balances at the period end are as follows:

	52 weeks ended 23 September 2018 £'000	52 weeks ended 24 September 2017 £'000
Charge from C1 Acquisitions Ltd for provision of director's services	(1,078)	(946)
Recharged costs	60	280
Provision of accounting services	60	60
Transfer of loan to fellow subsidiary	-	8,613
Intercompany loan issued by C1 Acquisitions Ltd	(5,000)	-
Interest payable on intercompany loan	(107)	-
	<u>(6,065)</u>	<u>8,007</u>

During the period C1 Acquisitions provided a loan to Carluccio's Ltd of £5,000,000 following the issue of Loan Notes of the same value from Landmark Retail Holdings 1 Ltd, the Ultimate Parent Undertaking, to C1 Acquisitions Ltd. The intercompany loan is provided at market rate with interest charged through the P&L of Carluccio's Ltd.

During the prior year, C1 Acquisitions Limited provided a guarantee of the entire outstanding balance due from Carluccio's USA Limited. Transactions with related parties are made at normal market prices. Outstanding balances with the franchisees are unsecured, interest free and cash settlement is expected within 30 days of invoice.

During the period to 23 September 2018, the Company has not made any provisions for any doubtful debts relating to amounts owed by related parties (2017: £nil).

# Carluccio's Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10 RELATED PARTY TRANSACTIONS (continued)

#### Subsidiary undertakings

##### Carluccio's Ireland Limited

Transactions entered into and balances at the period end are as follows:

	52 weeks ended 23 September 2018 £'000	52 weeks ended 24 September 2017 £'000
Sales commission	202	194
Recharged costs/funding	1,180	1,154
	<u>1,382</u>	<u>1,348</u>

As at the period end, £1,072,000 was owed from Carluccio's Ireland Limited (2017: £377,000).

##### Carluccio's USA Limited

The Company owns 100% of the share capital of Carluccio's USA Limited which was created to manage the Company's restaurants in the United States of America.

As at the period end, £99,000 was owed from Carluccio's USA Limited (2017: nil), the loan has been guaranteed fully by C1 Acquisitions Limited.

### 11 ADMINISTRATIVE EXPENSES – EXCEPTIONAL ITEMS

	2018 £'000	2017 £'000
Fixed asset impairment	(9,787)	(22,335)
Profit/(loss) on disposal of tangible assets	(754)	(750)
Brand review costs	-	(291)
CVA and store closure costs	(2,335)	-
Lease premium received	700	-
Provision for onerous leases	(1,159)	(2,517)
	<u>(13,335)</u>	<u>(25,893)</u>

#### Investment and Fixed asset impairment

In accordance with IAS36 Impairment of Assets, the Company has carried out a review of the carrying values of plant, property and equipment, taking into consideration the current trading performance and anticipated future cashflows discounted at a post-tax rate of 9% in order to assess whether there is any indication of impairment. Assets are carried at their recoverable amount which is the higher of fair value less costs to sell or their economic use in the business. When a trading units recent performance and anticipated cashflows would suggest that it may have no economic value in use to the business, it has been valued at net realisable value based on the Directors' experience of the commercial property market and their view of its likely value on disposal.

As a result of the above process, a provision for impairment of £9,787,000 (2017: £22,335,000) has been made against the book value of several properties. Of the current year impairment provision, £162,000 (2017: £1,493,000) has been provided against non-current prepaid operating lease charges.

#### Profit/(loss) on disposal of tangible assets

During the current period eighteen sites closed (2017: one). The total loss on disposal, net of the impairment provision reversal, was £754,000.

#### Brand review costs

These related to a substantial one-off project reviewing the future strategies of the business.

#### CVA and store closure costs

As a result of the CVA process there were significant professional and legal fees as well as large operational and restructuring costs of closing down a number of sites.

#### Lease premium received

Upon the closure of one site during the year a substantial lease premium was received on assignment.



# Carluccio's Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 11 ADMINISTRATIVE EXPENSES – EXCEPTIONAL ITEMS (continued)

#### Provision for onerous leases

At the balance sheet date there are twenty-nine (2017: twenty-six) onerous leases. Of the £1,159,000 charge in the current year, £642,000 relates to the provision on twenty-four CVA sites to cover the committed property costs to lease exit. The remaining £517,000 relates to five trading sites for which the unavoidable costs of the lease exceeds the economic benefit expected to be received from them.

### 12 DIVIDEND

Amounts recognised as distributions to equity holders in the period:

	2018 £'000	2017 £'000
Interim dividend for the year of 0p (2017: 0p) per share	-	-

### 13 INTANGIBLE ASSETS

	Trademarks £'000	Computer software £'000	Total £'000
<b>COST</b>			
At 25 September 2016	228	2,481	2,709
Additions	-	335	335
At 24 September 2017	228	2,816	3,044
Additions	25	51	76
At 23 September 2018	253	2,867	3,120
<b>AMORTISATION</b>			
At 25 September 2016	145	1,654	1,799
Charge for the period	19	506	525
At 24 September 2017	164	2,160	2,324
Charge for the period	18	374	392
At 23 September 2018	182	2,534	2,716
<b>NET BOOK VALUE</b>			
At 23 September 2018	71	333	404
At 24 September 2017	64	656	720
At 25 September 2016	83	827	910

## Carluccio's Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Furniture, fixtures, CCU and computer equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
<b>COST</b>				
At 25 September 2016	62,667	27,414	2,365	92,446
Additions	3,436	5,298	423	9,157
Disposals	(707)	(3,512)	-	(4,219)
Reclassification	1,069	939	(2,008)	-
At 24 September 2017	66,465	30,139	780	97,384
Additions	1,202	3,608	30	4,840
Disposals	(9,931)	(4,858)	(190)	(14,979)
Reclassification	348	50	(398)	-
At 23 September 2018	58,084	28,939	222	87,245
<b>DEPRECIATION</b>				
At 25 September 2016	23,596	12,999	-	36,595
Charge for the period	3,241	3,935	-	7,176
Disposals	(557)	(2,534)	-	(3,091)
Impairment charge	14,791	6,051	-	20,842
At 24 September 2017	41,071	20,451	-	61,522
Charge for the period	2,267	2,872	-	5,139
Disposals	(9,655)	(4,537)	-	(14,192)
Impairment charge	6,597	3,028	-	9,625
At 23 September 2018	40,280	21,814	-	62,094
<b>NET BOOK VALUE</b>				
At 23 September 2018	17,804	7,125	222	25,151
At 24 September 2017	25,394	9,688	780	35,862
At 25 September 2016	39,071	14,415	2,365	55,851

# Carluccio's Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 14 PROPERTY, PLANT AND EQUIPMENT (continued)

#### Fixed Asset Impairment

As discussed in note 11, in accordance with IAS 36 the Company has carried out its impairment review of the carrying value of property, plant and equipment, taking into account the current trading performance and anticipated future cashflows discounted at a 9% post-tax rate from individual cash generating units (locations). For a number of locations, the recent performance and anticipated future cash flows indicated that they had a fair value below their book value, and accordingly the directors have written down the assets to fair value. The carrying value for these locations has been written down by £9,625,000 (2017: £20,842,000).

### 15 INVESTMENT IN SUBSIDIARIES

The Company's investment in subsidiaries is as follows:

	2017 £'000
At 25 September 2016	1,893
At 24 September 2017	1,893
At 23 September 2018	1,893

The investments in these companies are carried at cost.

In the opinion of the Directors the fair value of the investments in the subsidiary undertakings is not less than the amount shown above.

The subsidiaries of the Company at 24 September 2017 are as follows. Unless otherwise stated the Company directly owns all the issued ordinary shares:

Name	Incorporated in	Principal activities	Registered Office
Carluccio's Ireland Limited	Ireland	Italian cafes & foodshops	The Boathouse, 3 <sup>rd</sup> Floor, Bishop Street, Dublin 8
Carluccio's USA Limited	UK	Management of investment in USA and general partner in USA GP	35 Rose Street, London, WC2E 9EB
Carluccio's USA Incorporated *	USA	Managing partner in USA GP	7241 Hanover Parkway, Suite C, Greenbelt, MD 20770
Carluccio's USA GP *	USA	Dormant	7241 Hanover Parkway, Suite C, Greenbelt, MD 20770

\* Owned by Carluccio's USA Limited

### 16 PREPAID OPERATING LEASE CHARGES

	2018 £'000	2017 £'000
Held within non-current assets	378	467
Held within current assets	80	237
	458	704

Prepaid operating lease charges represent lease premiums paid for the acquisition of prime sites, which are charged to the cost of sales line of the statement of comprehensive income over the period of the lease.

In the current year, a provision of £162,000 has been made against non-current prepaid operating lease charges, see note 11 for details.

**Carluccio's Limited**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**17 INVENTORIES**

	2018 £'000	2017 £'000
Raw materials	560	432
Finished goods and goods for resale	1,062	1,371
	<u>1,622</u>	<u>1,803</u>

In the Directors' opinion, there is no material difference between the replacement cost of the inventories and the amounts stated above.

The company expensed inventory of £33,116,755 (2017: £35,927,513) in the Statement of Comprehensive Income in the period.

**18 TRADE AND OTHER RECEIVABLES**

	2018 £'000	2017 £'000
Held within current assets:		
Trade receivables	1,163	574
Related party receivables	514	435
Amounts owed from subsidiary undertakings	1,170	377
Amounts owed from parent undertakings	9,834	9,543
Other receivables	454	894
	<u>13,135</u>	<u>11,823</u>
Held within non-current assets:		
Amounts owed from subsidiary undertakings	<u>-</u>	<u>-</u>
Total trade and other receivables	<u>13,135</u>	<u>11,823</u>

**19 LOANS AND BORROWINGS**

The Company has in place a three year £8,000,000 revolving loan facility (2017: £8,000,000). The facility is available until July 2020. Drawings will have variable interest rates applied to them linked to the relevant LIBOR (London InterBank Offering Rate). The facility is multi-currency.

As at the end of the period, the Company had drawn £5,500,000 (2017: £6,000,000) on the loan facility.

**20 TRADE PAYABLES**

	2018 £'000	2017 £'000
Trade payables	5,757	5,577
	<u>5,757</u>	<u>5,577</u>

All amounts fall due for payment within one year.

**21 OTHER TAXES AND SOCIAL SECURITY**

	2018 £'000	2017 £'000
Value Added Tax	2,835	3,699
Payroll taxes (National Insurance, Social Security)	819	935
	<u>3,654</u>	<u>4,634</u>

All amounts fall due for payment within one year.

**Carluccio's Limited**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**22 ACCRUALS AND DEFERRED INCOME**

	2018 £'000	2017 £'000
Held within current liabilities:		
Accruals	9,728	9,359
Deferred income	1,351	355
	<u>11,079</u>	<u>9,714</u>
Held within non-current liabilities:		
Deferred income	<u>4,935</u>	<u>6,967</u>
Total accruals and deferred income	<u>16,014</u>	<u>16,681</u>

**23 PROVISIONS**

	2018 £'000	2017 £'000
Balance at the beginning of the year	2,692	445
Utilised in period	(2,575)	(299)
Provided in the period	1,159	2,517
Unwinding of discount rate	-	29
Balance at the end of the year	<u>1,276</u>	<u>2,692</u>
Current	932	1,873
Non-current	<u>344</u>	<u>819</u>
	<u>1,276</u>	<u>2,692</u>

Provisions for onerous leases in part represent onerous commitments on operating leases for properties currently vacant or closed. Provision is made for rent and related property costs for the period the Directors estimate the property would not be sub-let, or until an assignment of the lease is made. At year end there are twenty-four (2017: twenty-six) onerous leases on CVA sites, for which property costs are committed until the completion of the CVA process. Additionally five (2017: Nil) onerous leases are included on trading sites, for which the unavoidable costs of the lease exceed the economic benefit expected to be received from it.

In the period, management evaluated the assumptions surrounding the anticipated costs and related items in respect of the onerous lease provision. This has resulted in an increase of £1,159,000 being provided in the period (2017: increase of £2,517,000). The movement in the current year has been taken within exceptional items (see note 11).

The amount and timing of the cash outflows relating to onerous leases are subject to variations. In estimating the amount and timing of cashflows, the Directors utilise the skills and experience of both internal and external property specialists, and are satisfied that the resulting estimated provision is appropriate.

**24 DEFERRED TAX LIABILITIES**

	2018 £'000	2017 £'000
At the start of the period	-	(1,718)
Credit to statement of comprehensive income (see note 8)	-	1,718
At the end of the period	<u>-</u>	<u>-</u>
The deferred tax asset / (liability) can be analysed as follows:		
Accelerated capital allowances	-	-
Other temporary differences	-	-
	<u>-</u>	<u>-</u>

In the current period an unrecognised deferred tax asset of £3.6m (2017: £2.5m) exists, comprising of £3.0m of depreciation in excess of capital allowances and £0.6m of unutilised tax losses.

# Carluccio's Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 25 SHARE CAPITAL

	Authorised, allotted, called up and fully paid			
	2018 Number (‘000)	2017 Number (‘000)	2018 £’000	2017 £’000
Ordinary shares of 5p each	63,583	63,583	3,179	3,179
	<u>63,583</u>	<u>63,583</u>	<u>3,179</u>	<u>3,179</u>

#### Movements in share capital

	Number (‘000)	£’000
At 25 September 2016 and 24 September 2017	<u>63,583</u>	<u>3,179</u>
At 24 September 2017 and 23 September 2018	<u>63,583</u>	<u>3,179</u>

### 26 CAPITAL COMMITMENTS

	2018 £’000	2017 £’000
Capital commitments contracted but not provided for in the financial statements:	<u>-</u>	<u>669</u>

Unprovided capital commitments relate to the construction costs of sites scheduled to open after the period end and of sites with committed refurbishments.

### 27 FUTURE COMMITMENTS UNDER OPERATING LEASES

The total future rental payments outstanding under non-cancellable operating leases as at 23 September 2018 are set out below:

	Land and buildings	
	2018 £’000	2017 £’000
Within 1 year	10,675	13,502
Within 2 to 5 years	38,326	51,937
After 5 years	84,409	120,575
	<u>133,410</u>	<u>186,014</u>

Leases for land and buildings are subject to rent reviews.

Rent agreements on 56 sites (2017: 51) include an element of contingent or turnover related rent. This is excluded from the commitments above as the Company is not committed to these payments at the balance sheet date.

### 28 PENSIONS

The Company makes pension contributions on behalf of all employees that have chosen not to opt out of pension contributions under the new auto-enrolment pension legislation. The Company also makes contributions towards a number of personal pension plans that are defined contribution schemes. The assets of these schemes are held separately from those of the Company in independently administered funds. The pension charge for the period was £410,000 (2017: £320,000). There were £144,000 of contributions outstanding at the period end (2017: £81,000) which are included in ‘Accruals and deferred income’.

# Carluccio's Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 29 FINANCIAL INSTRUMENTS, DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Company is exposed to certain risks arising from its use of financial instruments. IFRS 7 requires that the Company provides the following disclosures on its financial assets and liabilities as set out below.

The Company's financial assets and liabilities are shown on the face of the balance sheet and in the table below.

	2018 £'000	2017 £'000
<b>Financial assets – loans and receivables</b>		
Cash and cash equivalents	801	149
Trade and other receivables		
- Current	13,135	11,823
- Non-current	-	-
	<u>13,936</u>	<u>11,972</u>
<b>Financial liabilities</b>		
Bank overdraft	-	280
Loans and borrowings	5,500	6,000
Trade payables		
- Current	5,757	5,577
Accruals		
- Current	9,728	9,358
	<u>20,985</u>	<u>21,215</u>

In the opinion of the Directors there is no material difference between the book value and the fair value of any of the financial instruments.

The Company has some exposure to credit risk, interest rate risk, liquidity risk and currency risk. There has been no material change to the financial instruments used within the business during the period and, therefore, no material changes to the risk management policies put in place by the Board. The Board has overall responsibility for the determination of the Company's risk management objectives and policies. Whilst acknowledging this responsibility, it has delegated the authority and day to day responsibility for designing and operating systems and controls which meet these risk management objectives to the finance and administration function. The Board regularly reviews the effectiveness of these processes in meeting its objectives and considers any necessary changes in response to changes within the business or the environment in which it operates.

#### Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets held at the balance sheet date. The Company's maximum exposure to credit risk by type of financial asset equals the carrying value of financial assets shown in 2018 and 2017.

	2018 £'000	2017 £'000
Trade and other receivables are due:		
Current	2,888	2,021
Within 30-60 days	293	204
Within 61-90 days	21	6
91 days and over	9,933	9,592
	<u>13,135</u>	<u>11,823</u>

All receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. In practice, the Company has limited exposure to credit risk as the receivables in the balance sheet are predominantly receivable from franchisees, established customers or landlords. These relationships are monitored closely and given the ongoing nature of trading with such counterparties, the risk of default is considered to be low. As a result, there are no material debts which are past due, and no provision for doubtful debts has been made in the financial statements.

Company policy is that cash collected at its locations is banked on a regular and frequent basis to ensure that security risks are minimised and that cash resources are utilised efficiently. Cash is deposited with UK-based financial institutions, in funds that are readily converted into known amounts of cash and the credit risk on such assets is considered to be low.

# Carluccio's Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 29 FINANCIAL INSTRUMENTS, DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)

#### Interest rate risk

Interest rate risk is the risk that the value of financial assets will fluctuate due to changes in market interest rates. The Company's income, operating cash flows and the value of its financial assets are largely independent of changes in market interest rates. Surplus funds are invested in short-term secured accounts such that the Company is not unduly exposed to market interest rate fluctuations.

Interest income received on such deposits in the period amounted to £1,000 (2017: £1,000) and represented less than 0.01% (2017: 0.01%) of loss before taxation adjusted for interest receivable. A 1% movement in market interest rates would have had significantly less than 1% impact on profits in either the current or comparative periods.

#### Liquidity risk

Liquidity risk arises from the Company's management of working capital, including cash and cash equivalents and fixed term deposits. The Board's policy is to manage its working capital flows such that it will always have sufficient cash to allow it to meet its liabilities as they become due.

Detailed budgeted cash flow forecasts are prepared for the Board setting out anticipated working capital flows together with future obligations from capital projects in progress and the resulting impact on its cash balances.

The Company has entered into an £8,000,000 revolving loan facility (2017: £8,000,000). The facility is available until July 2020. Drawings will have variable interest rates applied to them linked to the relevant LIBOR (London InterBank Offering Rate). The facility is multi-currency.

As at the end of the period, the Company had drawn £5,500,000 (2017: £6,000,000) on the loan facility.

In addition the Company has access to an overdraft facility of £5,000,000 (2017: £5,000,000).

	2018 £'000	2017 £'000
Trade payables and accruals are due for settlement:		
Current	12,656	10,919
Within 30-60 days	2,604	3,877
Within 61-90 days	187	101
91 days and over	38	38
	<u>15,485</u>	<u>14,935</u>

#### Currency risk

The Company sources some of its products directly from Italy and is therefore exposed to this risk and the risk of fluctuations in the rate of exchange between the Euro and the Pound Sterling.

The directors have considered this risk and have chosen at times to mitigate the associated currency risk by buying contracts for Euros in the forward foreign exchange markets at confirmed exchange rates. Contracts can vary in length from several days to 6 months. There were no forward exchange contract outstanding at the end of the current period (2017: £nil). The fair value of the Derivative financial instruments has been charged to the Statement of comprehensive income.

The following table demonstrates the sensitivity to reasonable possible change in the Sterling against the Euro exchange rate with all other variables held constant, of the Company's profit before tax (due to foreign exchange translation of monetary assets and liabilities):

	2018 £'000	2017 £'000
Change in Sterling vs. Euro rate:		
+10%	15	2
-10%	(15)	(2)



## Carluccio's Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 29 FINANCIAL INSTRUMENTS, DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)

##### Capital

The Company considers its capital to comprise its ordinary share capital, share premium and accumulated retained earnings. There have been no changes in what the Company considers to be its capital since the previous period.

The Company seeks to maintain a capital structure appropriate to its size, strategy for growth and underlying business risks.

#### 30 RESERVES

The nature and purpose of each reserve is explained below:

Share capital – represents the nominal value of shares in issue.

Share premium account – the accumulated amount subscribed for share capital in excess of nominal value.

Retained earnings – the cumulative income and expenses recognised in the statement of comprehensive income together with cumulative items, other than proceeds of share issues recognised in equity.

#### 31 CONTINGENT LIABILITIES

Following the acquisition of Carluccio's Ireland Limited, the Company has provided certain financial guarantees to landlords. Should the tenants default the Company may be liable. At the period end the total potential annual commitment amounted to £nil (2017: £nil).

#### 32 POST BALANCE SHEET EVENTS

The Company exited the CVA process in December 2018, closing the remaining fourteen sites earmarked for closure between the period-end date and 6 January 2019.

#### 33 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is C1 Acquisitions Limited, a company incorporated in the United Kingdom.

The directors consider the ultimate parent undertaking and controlling party to be Landmark Retail Holdings 1 Limited, a company incorporated in the British Virgin Islands.

The parent undertakings of the smallest and largest groups of which the company is a member and for which group accounts are prepared are:

Largest Group	Landmark Retail Holdings 1 Limited
Smallest Group	C1 2014 Limited

Copies of the group accounts of C1 2014 Limited are available from the Company's head office: 35 Rose Street, London, WC2E 9EB.