Registered number: 02177931

GUSTO RESTAURANTS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

GUSTO RESTAURANTS LIMITED

COMPANY INFORMATION

Directors	J K Roberts S J Crimes A J Griffin G M Peel M A Snell
Registered number	02177931
Registered office	98 King Street Knutsford Cheshire WA16 6HQ
Independent auditor	Grant Thornton UK LLP Chartered Accountants Statutory Auditor 4 Hardman Square Spinningfields Manchester M3 3EB
Bankers	Santander Corporate Banking 298 Deansgate Manchester M3 4HH
Solicitors	Pinsent Masons LLP 3 Colmore Circus Birmingham B4 6BH

GUSTO RESTAURANTS LIMITED

CONTENTS

STRATEGIC REPORT
For the year ended 31 March 2018

Business review and future developments

Trading in the year has been positive with total sales increasing by over 13% to £32.2m, an encouraging performance given market conditions and the fact that the previous period was a 53 week year. EBITDA before pre-opening costs was £2.3m. The company opened three new sites in the year and also appointed a new Managing Director to lead the business on its next stage of development.

As has been widely reported, the restaurant sector in general has faced challenges during the year due to the volume of competition and weakening consumer confidence. In addition, cost pressures have arisen through wage inflation, food cost inflation and increased business rates. The company has been well placed to deal with these challenges due to the strength of the Gusto brand, the consistent delivery of high quality food and service levels and tight operational control, but market conditions remain difficult.

Notwithstanding the ongoing challenges that remain prevalent in the sector, the company has a very clear strategy for the coming year. Customer research and menu development projects are already underway with a view to building on the strength of the existing business, secondary income streams are being expanded and new sales channels are being explored.

In terms of sites, post year-end the board received an offer for the group's site in Chislehurst, Kent, which was subsequently accepted. There are no plans to sell or relinquish control of any other sites in the portfolio. Indeed, new sites will continue to be considered if deemed commercially viable, and significant investment is planned for the refurbishment of some of the older restaurants.

The strategy for 2019/20 and beyond is to continue to build and expand the brand through growth of the estate and ancillary revenue streams.

Principal risks and uncertainties

Financial Risk
The company uses various financial instruments to finance the company's operations and roll out plan. These include cash, bank overdraft, the support of a bank loan within Gusto Group Restaurants Limited, trade debtors and trade creditors that arise directly from the company's operations.

Market Risk
Market risk encompasses two types of risk being currency risk and fair value interest rate risk. The company's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set in the "interest rate" subsection below.

Interest rate risk
The company finances its operations and roll out plan through retained profits and with the support of a bank loan in Gusto Restaurants Group Limited. The company's exposure to interest rate fluctuations is monitored and evaluated by the Board on a regular basis. The Directors consider the interest rate risk to be low.

Liquidity risk
The company seeks to manage liquidity risk by ensuring sufficient headroom in cash balances to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved through an overdraft facility.

Other risk
Management regularly monitor and discuss other risks and uncertainties within the business including restaurant performance, competition, economic uncertainty and rising costs.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018

Key performance indicators

The company uses a number of key performance indicators when assessing and driving performance. The main financial key performance indicators are sales performance compared to last year & budget, food and liquor margin variances, wages as a % of sales and restaurant EBITDA.

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

G M Peel
Director
Date: 22 August 2018

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the financial statements for the year ended 31 March 2018.

Results and dividends

The loss for the year, after taxation, amounted to £582,000 (2017 - profit £613,000).

The directors have not recommended a payment of a dividend in either year.

Directors

The directors who served during the year were:

J K Roberts
S J Crimes
A J Griffin
G M Peel
M A Snell (appointed 27 March 2018)
A P Haigh (resigned 27 March 2018)

Directors' responsibilities statement

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Employee involvement

Communication with staff is accorded a high priority and employees are kept informed of the company's performance and activities through regular briefings and updates. They are also given the opportunity to communicate their ideas to all levels of management.

The company is committed to ensuring genuine equality of opportunity for all employees, regardless of age, sex, colour, race, religion, ethnic origin or disability. All our recruitment, training and development policies reflect this commitment.

The company provides employee pension benefits for full time employees.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

After the year end, management received and accepted an offer for the Chislehurst site. There have been no other significant events affecting the company since the year end.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

G M Peel
Director
Date: 22 August 2018

GrantThornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS, AS A BODY, OF GUSTO RESTAURANTS LIMITED

Opinion

We have audited the financial statements of Gusto Restaurants Limited for the year ended 31 March 2018, which comprise the Statement of income and retained earnings, the Statement of financial position and the related notes, 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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its loss 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 United Kingdom, including the Financial Reporting Council'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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic Report and the Director's 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 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 have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report by 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.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS, AS A BODY, OF GUSTO RESTAURANTS LIMITED (CONTINUED)

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 3, 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.

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.

Grant Thornton UK LLP

Carl Williams FCCA
Senior statutory auditor
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Senior Statutory Auditor
Manchester
Date: 10 September 2018

STATEMENT OF INCOME AND RETAINED EARNINGS
For the year ended 31 MARCH 2018

	Note	2018 £000	*2017 £000*
Turnover	3	**32,212**	*28,392*
Cost of sales		**(7,390)**	*(6,280)*
Gross profit		**24,822**	*22,112*
Administrative expenses		**(25,027)**	*(21,297)*
Exceptional administrative expenses		**(55)**	*-*
Operating (loss)/profit	4	**(260)**	*815*
Interest payable and expenses	7	**(279)**	*(146)*
(Loss)/profit before tax		**(539)**	*669*
Tax on (loss)/profit	9	**(43)**	*(56)*
(Loss)/profit after tax		**(582)**	*613*
Retained earnings at the beginning of the year		**2,066**	*1,453*
(Loss)/profit for the year		**(582)**	*613*
Retained earnings at the end of the year		**1,484**	*2,066*

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of income and retained earnings.

The notes on pages 10 to 25 form part of these financial statements.

All results relate to continuing activites of the company.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note		2018 £000		2017 £000
Fixed assets					
Intangible assets	10		**279**		*342*
Tangible assets	11		**13,102**		*11,590*
			13,381		*11,932*
Current assets					
Stocks	12	**330**		*263*	
Debtors: amounts falling due within one year	13	**917**		*819*	
Cash at bank and in hand	14	**2,197**		*3,017*	
		3,444		*4,099*	
Creditors: amounts falling due within one year	15	**(14,619)**		*(13,286)*	
Net current liabilities			**(11,175)**		*(9,187)*
Total assets less current liabilities			**2,206**		*2,745*
Creditors: amounts falling due after more than one year	16		**(215)**		*(215)*
Provisions for liabilities					
Deferred tax	18	**(507)**		*(464)*	
			(507)		*(464)*
Net assets			**1,484**		*2,066*
Capital and reserves					
Called up share capital	19		**-**		*-*
Profit and loss account	20		**1,484**		*2,066*
			1,484		*2,066*

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

G M Peel
Director

Date: 22/8/18

The notes on pages 10 to 25 form part of these financial statements.

1. Accounting policies

1.1 Company information

Gusto Restaurants Limited is a company incorporated in the United Kingdom under the Companies Act 2006 and its registered office is 98 King Street, Knutsford, Cheshire, WA16 6HQ. The company's principal activity is that of restaurateurs.

1.2 Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgements in applying the company's accounting policies (see note 2 below).

The financial statements are presented in Sterling (£).

The individual accounts of Gusto Restaurants Limited have also adopted the disclosure exemption in the requirement to present a statement of cash flows and related notes on the basis that they are consolidated within Gusto Restaurants Group Limited, which are available from Companies House.

The following accounting policies have been applied:

1.3 Going concern

After taking into account the current economic uncertainty, as well as 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 consolidated financial statements.

1.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and turnover can be readily measured. Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added tax. Turnover relates to revenue from the sale of goods.

Sale of goods
Turnover relates to income received from customers who eat and drink in the bars and restaurants and is recognised on the day the event occurs. Customer deposits received in advance are held as a liability on the statement of financial position until the customer eats or drinks in the bars and restaurants. Function deposits and gift vouchers are recognised as turnover when the function occurs or the voucher is tendered.

1. Accounting policies (continued)

1.5 Intangible assets and amortisation

Goodwill and intangible assets

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquire at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of income and retained earnings over its useful economic life.

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

The intangible assets are amortised over the following useful economic lives:

- Trademarks	- Over 9 years
- Goodwill	- Between 9-20 years

1.6 Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold Property	- Over 25 years
Fixtures & fittings	- Over 10 years
Computer equipment	- Over 4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of income and retained earnings.

1.7 Operating leases

Rentals paid under operating leases are charged to the Statement of income and retained earnings on a straight line basis over the period of the lease, unless the rental payments are structured to increase in line with expected general inflation, in which case the company recognises annual rent expense equal to amounts owed to lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

1. **Accounting policies (continued)**

1.8 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price. Cost is based on the cost of purchase on a first in, first out basis after making due allowance for obsolete stock.

1.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1. Accounting policies (continued)

1.11 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of income and retained earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.13 Finance costs

Finance costs are charged to the Statement of income and retained earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1. Accounting policies (continued)

1.14 Pensions

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

The contributions are recognised as an expense in the Statement of income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

1.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of income and retained earnings, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

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

• The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
• Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

1.16 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

1. Accounting policies (continued)

1.17 Pre-opening costs

Pre- opening costs are recognised in advance of the opening of bars and restaurants and include expenditure incurred up to the statement of financial position date.

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

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Depreciation charged to tangible fixed assets in respect of useful economic lives and amortisation charged to intangible fixed assets in respect of useful economic lives. Both are assessed by management on an annual basis.

3. Turnover

An analysis of turnover by class of business is as follows:

	2018 £000	2017 £000
Food and drinks	**32,212**	*28,392*

All turnover arose within the United Kingdom.

4. Operating (loss)/profit

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

	2018 £000	*2017* *£000*
Loss on disposal of tangible fixed assets	**117**	*-*
Depreciation of tangible fixed assets	**1,425**	*1,234*
Impairment of tangible fixed assets	**549**	*-*
Amortisation of intangible assets	**63**	*63*
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**23**	*22*
- The audit of the Company's subsidiaries pursuant to legislation	**8**	*7*
Pre-opening costs	**346**	*502*
Operating lease costs: - Land and buildings	**1,835**	*1,459*
- Other	**30**	*23*
Defined contribution pension cost	**116**	*97*
Exceptional items	**55**	*-*

5. Employees

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

	2018 £000	*2017* *£000*
Wages and salaries	**11,524**	*10,070*
Social security costs	**986**	*780*
Cost of defined contribution scheme	**116**	*97*
	12,626	*10,947*

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

	2018 No.	*2017* *No.*
Retail (including part time employees)	**589**	*523*
Management and administration	**146**	*108*
	735	*631*

6. Directors' remuneration

	2018 £000	*2017 £000*
Directors' emoluments	449	*305*

During the current and previous year retirement benefits were accruing to no directors in respect of defined contribution pension schemes.

The highest paid director received remuneration of £156,000 *(2017: £112,000)*.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil *(2017: £Nil)*.

7. Interest payable and similar charges

	2018 £000	*2017 £000*
Bank interest payable	279	*146*

8. Exceptional items

	2018 £000	*2017 £000*
Management restructuring costs	55	-
	55	-

Exceptional costs incurred relate to restructuring of the management team.

9. Taxation on profit on ordinary activities

	2018 £000	*2017 £000*
Deferred tax		
Origination and reversal of timing differences	48	*95*
Adjustments in respect of prior periods	(5)	*(17)*
Effect of tax rate change on opening balance	-	*(22)*
Total deferred tax	43	*56*
Taxation on profit on ordinary activities	43	*56*

9. Taxation on profit on ordinary activities (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2017 - lower than)* the standard rate of corporation tax in the UK of 19% *(2017 - 20%)*. The differences are explained below:

	2018 £000	*2017 £000*
(Loss)/profit on ordinary activities before tax	**(539)**	*669*
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	**(102)**	*134*
Effects of:		
Expenses not deductible for tax purposes	**5**	*8*
Capital allowances for year in excess of depreciation	**158**	*71*
Adjustments to tax charge in respect of prior periods	**(5)**	*(17)*
Adjust opening deferred tax to average rate	**54**	*45*
Adjust closing deferred tax to average rate	**(60)**	*(82)*
Group relief claimed	**(7)**	*(103)*
Total tax charge for the year	**43**	*56*

Factors that may affect future tax charges

During the year the UK corporation tax rate was decreased. There will be a further reduction in the main corporation tax from 1 April 2017 to 19% and following the Budget announcements the rate will fall to 17% in 2020.

10. Intangible assets

	Trademarks £000	Goodwill £000	Total £000
Cost			
At 1 April 2017	91	806	897
At 31 March 2018	91	806	897
Amortisation			
At 1 April 2017	73	482	555
Charge for the year	9	54	63
At 31 March 2018	82	536	618
Net book value			
At 31 March 2018	9	270	279
At 31 March 2017	*18*	*324*	*342*

11. Tangible fixed assets

	Leasehold Property £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost				
At 1 April 2017	11,422	11,328	377	23,127
Additions	1,518	1,996	89	3,603
Disposals	(80)	(4,151)	(58)	(4,289)
At 31 March 2018	12,860	9,173	408	22,441
Depreciation				
At 1 April 2017	4,908	6,466	163	11,537
Charge for the year on owned assets	511	811	103	1,425
Disposals	(42)	(4,071)	(59)	(4,172)
Impairment charge	463	80	6	549
At 31 March 2018	5,840	3,286	213	9,339
Net book value				
At 31 March 2018	7,020	5,887	195	13,102
At 31 March 2017	*6,514*	*4,862*	*214*	*11,590*

An impairment charge has been recognised in respect of assets at the Chislehurst site, for which management received and accepted an offer post year end.

12. Stocks

	2018 £000	*2017 £000*
Restaurant and bar stocks	330	*263*

Stock recognised in cost of sales during the year as an expense was £7,390,000 *(2017: £6,280,000).*

No impairment loss was recognised in cost of sales against stock during 2018 or 2017 due to slow-moving and obsolete stock.

The total carrying amount of stock is pledged as security for the group's bank loans.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

13. Debtors

	2018 £000	2017 £000
Trade debtors	96	107
Other debtors	107	110
Prepayments and accrued income	714	602
	917	819

No impairment loss was recognised against debtors during 2018 or 2017.

14. Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	2,197	3,017

15. Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	1,823	1,699
Amounts owed to group undertakings	8,851	7,760
Other taxation and social security	1,091	1,039
Other creditors	308	301
Accruals and deferred income	2,546	2,487
	14,619	13,286

16. Creditors: Amounts falling due after more than one year

	2018 £000	2017 £000
Share capital treated as debt	215	215

Disclosure of the terms and conditions attached to the non-equity shares is made in note 19 to the financial tatements.

17. Financial instruments

	2018 £000	*2017 £000*
Financial assets		
Financial assets measured at amortised cost	**2,400**	*3,234*
Financial liabilities		
Financial liabilities measured at amortised cost	**(13,743)**	*(12,464)*

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, other debtors and amounts owed by related parties.

Financial liabilities measured at amortised cost comprise trade creditors, accruals and deferred income, other creditors, amounts owed to group undertakings, amounts owed to related parties and share capital treated as debt.

18. Deferred taxation

Deferred taxation provided at 17% (2017: 17%) in the financial statements is set out below:

	2018 £000
At beginning of year	**(464)**
Charge for the year	**(43)**
At end of year	**(507)**

The provision for deferred taxation is made up as follows:

	2018 £000	*2017 £000*
Accelerated capital allowances	**(525)**	*(470)*
Short term timing differences	**18**	*6*
	(507)	*(464)*

19. Share capital

	2018 £000	*2017 £000*
Shares classified as equity		
Allotted, called up and fully paid		
32,598 Ordinary shares of £0.01 per share	-	-

	2018 £000	*2017 £000*
Shares classified as debt		
Allotted, called up and fully paid		
7,551 Preferred ordinary shares of £1 per share	8	*8*
207,000 Preference shares of £1 per share	207	*207*
	215	*215*

Ordinary shares
The Ordinary shareholders have a right to a dividend if confirmed by the Directors, from the distributable profits remaining after making provision for payment of the Preferred Dividend or the Participating Dividend. The holders of Ordinary Shares shall be entitled to receive notice of, and to attend and vote at, general meetings of the company; with one share equal to one vote.

Preferred ordinary shares
The Preferred ordinary shareholders are entitled to a fixed cumulative preferential participating dividend of 15% per annum and a cumulative cash dividend calculated as 15% of the profit after tax, both taking priority over any dividend payable to ordinary shareholders. The dividends shall become payable no later than six months immediately following the end of the accounting period to which they relate. Any unpaid amounts after this date accrue interest at 2.5% above the base rate of the Governor and company of Bank of Scotland (whichever is greater).

Holders of preferred ordinary shares shall be entitled to receive notice of, to attend and to vote at, general meetings of the company; with one share equal to one vote. The rights and obligations of the holders under the Memorandum and Articles of Association of the company may be altered only with the written consent of a 75% majority of the issued preference ordinary shares.

Preference shares
The company shall, in priority over the payment of any dividend to holders of Ordinary Shares, pay a fixed cumulative preferential dividend of 12% of the subscription price per annum. The dividends shall become payable no later than six months immediately following the end of the accounting period to which they relate. Any unpaid amounts after this date accrue interest at 2.5% above the base rate of the Governor and company of Bank of Scotland (whichever is greater).

The holders of the Preference Shares shall be entitled to receive notice of but not to attend or vote at general meetings of the company.

20. Reserves

Called up share capital
Represents the nominal value of shares that have been issued.

Profit and loss account
Includes all current and prior year retained profits and losses.

21. *Contingent liabilities*

As at 31 March 2018 and 31 March 2017, the directors have confirmed that the company had no contingent liabilities.

22. Capital commitments

As at 31 March 2018, the company was committed to capital expenditure of £Nil in relation to various sites *(2017: £1,172,000)*.

23. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administrated fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £116,000 (2017: £97,000). There are outstanding contributions due to the fund at 31 March 2018 of £9,000 (2017: £13,000).

24. Commitments under operating leases

At 31 March 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Land and buildings		
Not later than 1 year	**1,957**	*1,662*
Later than 1 year and not later than 5 years	**7,291**	*6,761*
Later than 5 years	**23,756**	*21,963*
	33,004	*30,386*

	2018 £000	2017 £000
Other		
Not later than 1 year	**8**	*11*
Later than 1 year and not later than 5 years	**4**	*12*
	12	*23*

25. Related party transactions

Key management personnel remuneration for the year totalled £540,000 (2017: £338,000).

The Company has taken advantage of the exemption in FRS 102 (section 33) "Related Party Disclosure" and has not disclosed transactions with group undertakings.

26. Ultimate parent undertaking and controlling party

The immediate parent undertaking of the Company is Gusto Restaurants UK Limited. The directors consider the ultimate parent undertaking of this Company to be Gusto Restaurants Group Limited by virtue of its shareholding.

The smallest and largest group of undertakings for which Group accounts have been drawn up is that headed by Gusto Restaurants Group Limited. Copies of the Group financial statements can be obtained from Companies House.