Financial Statements
Stonebeach Limited

For the year ended 30 September 2015

Company No. 04396961

Company information

Company registration number	04396961
Registered office	146 - 156 Sarehole Road Birmingham B28 8DT
Directors	C Marsh P May
Secretary	C Marsh
Bankers	HSBC 120 Edmund Street Birmingham B3 2QZ
Auditor	Grant Thornton UK LLP Chartered Accountants Statutory Auditor Grant Thornton House 202 Silbury Boulevard Central Milton Keynes MK9 1LW

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 30 September 2015.

Dividends

Details of dividends can be found in the Strategic report.

Directors of the company

The present membership of the Board is set out below.

C Marsh
V Scalzo (resigned 1 March 2015)
P May

All directors served throughout the year unless indicated.

Disabled employees

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

Employee involvement

The company is an equal opportunity employer with particular reference to non-discrimination and non-harassment on the basis of ethnic origin, age, gender, religion, sexual orientation or disability. The company is run in a fully open manner and it strongly encourages it employees to provide their opinions on how the company is run. Regular management meetings are undertaken where all levels of management are fully informed of developments of the company and have a fully operational role in how the company functions.

The company has put in place mechanisms to provide information to employees with particular emphasis on operational and health and safety matters. Regular meetings are held between site General Managers and Head Office Operational Management.

Statement of directors' responsibilities

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

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

Report of the directors (continued)

Statement of directors' responsibilities (continued)

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

In so far as each of the directors is aware:

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

Auditor

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

ON BEHALF OF THE BOARD

C Marsh
Director
26th November 2015

Strategic report

Business review and future developments

The principal activity of the company continued to be that of restaurateur.

The profit for the year after taxation amounted to £10,399k (2014 - £9,545k). During the year a dividend of £4,614k was paid (2014 - £nil).

The directors are encouraged that turnover continues to rise in a difficult economic climate. In the year a number of new sites have been opened which have been successful and continue to aid the growth of the business. The existing stores have also performed well during 2015.

Even with increasing costs the directors are pleased that gross margin and payroll margins have been maintained throughout the roll out program thus increasing the profitability of the business.

The company is still intending to expand throughout 2015/2016.

Principal risks and uncertainties

The Board continually reviews the potential risks facing the company. Some of the key areas reviewed are the following:

Increased prices of key commodities and operating costs

The company spends considerable time tracking the commodity prices of a number of products namely coffee, dairy, fruit, packaging, cocoa and wheat items. Where possible we enter into supply agreements for certain periods of time depending upon the market. We do not commit to volumes but lengths of agreement which guarantees prices. This way the company is able to reduce the risk to inflationary pressure.

Economic environment

In common with other restaurant businesses, the company relies on continuing levels of disposable income within the UK market place and a decline in the UK economy would have an impact on turnover. However, due to the nature of our product and market position as an upmarket patisserie, having this unique position helps to mitigate the economic market place.

Competition

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

Legislation

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

Strategic report (continued)

Financial risk management objectives and policies

The company uses various financial instruments, these include loans, cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

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

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

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by overdraft facilities. The risks are managed by overdraft facilities and re-financing arrangements which have extended borrowing terms and allowance of a capital drawdown facility thus reducing exposure.

Interest rate risk

The company finances its operations through a mixture of retained profits, shareholder loans and bank borrowings. The group exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities. Business has benefitted from the stable interest rates the UK economy has had for a number of years. If this starts to become more volatile hedging will be considered. In addition, the interest cover in the business is much lower than it used to be as a result of reduced gearing.

Credit risk

The company's principal financial assets are mainly cash with very limited trade debtors. The credit risk associated with cash is limited, the principal credit risk arises therefore from its trade debtors. However, very few customers are given accounts and these are reviewed regularly and collections are kept up to date.

Key performance indicators

The company is monitored in line with a number of key performance indicators. These are formulated at weekly and monthly Board meetings and are reviewed at both operating and Board level.

Turnover growth

The company is measured against sales growth with a target of 15%. Sales growth in the year was 18.1%

Margin

The company is measured against gross profit less staff costs with a target of 40%, with 46% delivered in the year.

Budget

The company is measured against targeted EBITDA which was delivered.

Strategic report (continued)

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

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

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

ON BEHALF OF THE BOARD

C Marsh
Director
26th November 2015

Grant Thornton

Independent Auditor's Report to the Members of Stonebeach Limited

We have audited the financial statements of Stonebeach Limited for the year ended 30 September 2015 which comprise the principal accounting policies, the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities set out on pages 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Grant Thornton

Independent Auditor's Report to the Members of Stonebeach Limited (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 UK LLP

David Newstead
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes

26 November 2015

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice).

The company's accounting policies are unchanged from the previous year.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent publishes a consolidated cash flow statement.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

Revenue arising from the sale of goods in restaurants and online is recognised when significant risks and benefits of ownership of the product has been transferred to the buyer.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation. Depreciation is calculated to write down the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold improvements	-	Over the term of the lease
Plant, machinery & other assets	-	15-25% per annum reducing balance

Stocks

Stocks are stated at the lower of cost and net realisable value after provisions are made in respect of obsolete and slow moving items.

Leased assets

Assets held under finance leases are capitalised in the balance sheet and depreciated over their useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Principal accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, except that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Retirement benefits

Defined contribution scheme
The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

Financial instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity. There is no effect on the financial statements as a result of this policy.

Profit and loss account

	Note	2015 £'000	2014 £'000
Turnover	1	**79,744**	67,529
Cost of sales		**(17,742)**	(14,852)
Gross profit		**62,002**	52,677
Administrative expenses		**(48,752)**	(41,833)
Operating profit	1	**13,250**	10,844
Interest payable and similar charges	2	**(31)**	(179)
Profit on ordinary activities before taxation		**13,219**	10,665
Tax charge on profit on ordinary activities	4	**(2,820)**	(1,120)
Profit for the year	12	**10,399**	9,545

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the profits for the years as set out above.

Balance sheet

	Note		2015		2014
		£'000	**£'000**	£'000	£'000
Fixed assets					
Tangible assets	6		**25,781**		21,928
Current assets					
Stocks	7	**4,230**		3,650	
Debtors	8	**13,706**		25,827	
Cash at bank and in hand		**2,778**		144	
		20,714		29,621	
Creditors: amounts falling due within one year	9	**(4,437)**		(15,645)	
Net current assets			**16,277**		13,976
Total assets less current liabilities			**42,058**		35,904
Provisions for liabilities and charges	10		**(1,627)**		(1,258)
			40,431		34,646
Capital and reserves					
Called up share capital	11		**150**		150
Profit and loss account	12		**40,281**		34,496
Shareholders' funds	13		**40,431**		34,646

These financial statements were approved by the Board of Directors and authorised for issue on 26 November 2015. They were signed on its behalf by:

C Marsh
Director

Registration number 4396961

Notes to the financial statements

1 Turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation is attributable to the one activity as disclosed in the Report of the Directors.

Operating profit is stated after charging:

	2015 £'000	2014 £'000
Auditor's remuneration:		
- Audit of the Company	55	38
Total audit	*55*	*38*
- Taxation compliance services	22	-
- Other non-audit services not covered above	6	48
Total non-audit fees	*28*	*48*
Total fees	83	86
Depreciation of tangible fixed assets	3,265	2,607
Impairment of fixed assets	-	-
Recharge from Patisserie Acquisition Limited	117	117
Recharge from Spice Bakery Limited	98	64
Operating lease rentals - land and buildings	10,136	9,027

Auditor's remuneration for non-audit services relates to fees incurred for the group headed by Patisserie Holdings Plc.

2 Interest payable

	2015 £'000	2014 £'000
On bank loans and overdrafts	31	179

3 Directors and employees

Staff costs during the year were as follows:

	2015 £'000	2014 £'000
Wages and salaries	28,389	23,627
Social security costs	1,646	1,356
Pension costs	122	74
	30,157	25,057

The average number of employees of the company during the year were as follows:

	2015	2014
Directors	2	3
Production & other staff	2,298	1,973
Total	2,300	1,976

Notes to the financial statements (continued)

3 Directors and employees (continued)

Remuneration in respect of directors was as follows:

	2015 £'000	2014 £'000
Emoluments	552	559

During the year no directors (2014 - no directors) participated in money purchase pension schemes.

Emoluments of highest paid director:

	2015 £'000	2014 £'000
Emoluments	290	253

4 Tax on profit on ordinary activities

The tax charge represents:

	2015 £'000	2014 £'000
Current tax:		
UK corporation tax	2,384	822
Adjustments in respect of previous periods	67	(37)
Total current tax	2,451	785
Deferred tax:		
Origination and reversal of timing differences	369	335
Tax on profit on ordinary activities	2,820	1,120

Factors affecting current tax charge
The tax assessed for the year is different to the standard rate of corporation tax in the UK of 20.5% (2014 – 22.0%). The differences can be explained as follows:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	13,219	10,665
Profit on ordinary activities multiplied by the standard rate of tax	2,710	2,346
Effect of:		
Capital allowances in excess of depreciation	(320)	(217)
Group relief	(17)	(1,206)
Other short term differences	11	(101)
Adjustments in respect of previous periods	67	(37)
Current tax charge for the year	2,451	785

Notes to the financial statements (continued)

5 Dividends

	2015 £'000	2014 £'000
Dividends on equity shares declared and paid in the year	**4,614**	-

6 Tangible fixed assets

	Leasehold improvements £'000	Plant, machinery & other assets £'000	Total £'000
Cost			
At 1 October 2014	9,453	24,386	33,839
Additions	739	6,379	7,118
At 30 September 2015	10,192	30,765	40,957
Depreciation			
At 1 October 2014	3,114	8,797	11,911
Provided in the year	503	2,762	3,265
At 30 September 2015	3,617	11,559	15,176
Net book amount at 30 September 2015	**6,575**	**19,206**	**25,781**
Net book amount at 30 September 2014	6,339	15,589	21,928

Impairment reviews have been carried out on fixed assets by reference to future expected cash flows over at least five years discounted at a rate of 12.9%. As a result of this review, an impairment charge of £nil was processed during the year (2014: £nil).

7 Stocks

	2015 £'000	2014 £'000
Raw materials	**3,543**	2,976
Work in progress	**375**	370
Finished goods	**312**	304
	4,230	3,650

Notes to the financial statements (continued)

8 Debtors

	2015 £'000	2014 £'000
Trade debtors	**36**	261
Amounts owed by group undertakings	**3,672**	16,321
Corporation tax	**2,017**	2,075
Social security and other taxes	**711**	733
Other debtors	**69**	69
Prepayments	**7,201**	6,368
	13,706	25,827

9 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Bank loans and overdrafts	**-**	2,006
Trade creditors	**2,578**	2,265
Amounts owed to group undertakings	**1,008**	11,290
Corporation tax	**-**	-
Social security and other taxes	**440**	-
Accruals	**411**	84
	4,437	15,645

The bank facility is secured by a fixed and floating charge over all the assets of the company.

10 Deferred taxation

	£'000
At 1 October 2014	1,258
Provided during the year	369
At 30 September 2015	**1,627**

Deferred taxation provided for in the financial statements is set out below:

	2015 £'000	2014 £'000
Accelerated capital allowances	**1,627**	1,258

Notes to the financial statements (continued)

11 Share capital

	2015	2014
	£'000	£'000
Authorised		
Equity shares		
151,000 Ordinary shares of £1 each	**151**	151
Allotted, called up and fully paid		
Equity shares		
150,100 Ordinary shares of £1 each	**150**	150

12 Reserves

	Profit and loss account £'000
Balance at 1 October 2014	34,496
Profit for the year	10,399
Dividends paid	(4,614)
Balance at 30 September 2015	**40,281**

13 Reconciliation of movements in shareholders' funds

	2015	2014
	£'000	£'000
Profit for the financial year	10,399	9,545
Dividends paid	(4,614)	-
	5,785	9,545
Opening shareholders' funds	**34,646**	**25,101**
Closing shareholders' funds	**40,431**	**34,646**

14 Leasing commitments

At 30 September 2015 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2015	2014
	£'000	£'000
Expiry date:		
Within 1 year	**566**	774
Within 2 to 5 years	**2,933**	1,548
After more than 5 years	**5,692**	5,737
	9,191	8,059

Notes to the financial statements (continued)

15 Capital commitments

The company had capital commitments of £2,880k at 30 September 2015 (2014 - £200k) relating to the purchase of assets.

16 Controlling party

Patisserie Valerie Holdings Limited is the company's controlling related party by virtue of its shareholding. The ultimate controlling party of the company is Patisserie Holdings plc as a result of its shareholding in Patisserie Valerie Holdings Limited.

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

17 Related party transactions

The company is a wholly owned subsidiary and is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by Patisserie Holdings plc on the grounds that the consolidated accounts of Patisserie Holdings plc are publicly available.