Amber Taverns Limited

Strategic report, Directors report and
financial statements
Company registered number 05335601
52-week period ended 2 February 2020

Contents

Company information

Directors	J E Baer J L Jones S P Frankland M D George M J Goddard G E Roberts
Company Secretary	J L Jones
Registered number	05335601
Registered office	The Victory Offices 112 Victory Road Blackpool FY1 3NW
Independent Auditor	RSM UK Audit LLP Bluebell House Brian Johnson Way Preston Lancashire PR2 5PE
Bankers	HSBC Bank Plc Level 6 Metropolitan House, CBX3, 321 Avebury Boulevard, Milton Keynes, MK9 2GA
Solicitors	Proskauer Rose UK LLP 110 Bishopsgate London EC2N 4AY

Strategic Report

Principal activity and review of business

The principal activity of the Company during the period was that of public house management.

The Directors are pleased to report sales of £86,280,085 (2019: £81,343,224), sales were flat like for like adjusted for the World Cup. £5,513,914 is a full year contribution from the 2018/19 openings and £3,446,800 from the 2019/20 openings. Excluding other operating income and sites disposed of.

Operating Profit was £13,020,934 (2019: £12,213,063), an increase of 6.6%. £(8,226) is a like for like decrease, £1,529,713 is a full year contribution from the 2018/19 openings and £1,032,459 from the 2019/20 openings, excluding sites disposed of.

Following an impairment review it was agreed that an impairment of £728,975 was required at the period end (2019: £1,037,398). The Directors believe the estate carrying value to be appropriate.

The movement in net assets during the year £95,827,370 (2019: £85,057,936) largely relates to the increased capital investment of £6,880,636 net increase to fixed assets and the increase in group debtors of £5,588,488 to provide funds to Kildale Bidco Limited to service the debt requirements and increased deferred tax liability of £921,582.

Principal risks and uncertainties

Economic environment risk

Following the year ending 2nd February 2020 trade has been severely impacted by the coronavirus pandemic which closed the entire estate on 20th March 2020. All pubs remained closed until 4/7/20 a total of 15 weeks and there was a gradual opening of the estate through July, with the full estate open by 3/8/20. In line with many other sectors, hospitality has been particularly affected by compliance rules and restrictions to our normal trading ability post lockdown.

Since re-opening there has been some positives from the Eat Out to Help Out Scheme, despite being a wet-led only business this boosted consumer confidence and associated footfall throughout the month of August and whilst sales were not at pre-Covid levels they were tracking at 75-80% like for like on the previous year. The VAT cut on food to 5% until March 2021 has had a small positive impact but it is only available to us on soft drinks and snacks.

The board has taken comfort that despite the challenges of Covid restrictions, hand sanitising, 1m + rules, face masks, limitation on entertainment, requirement for all customers to be seated, table service only and track and trace data capture that our customers have had confidence to return to the pubs and have generally been compliant with the numerous changes we have introduced. Commenting that they felt safe whilst using the pub facilities; our insurers have also reviewed our protocols in June, during the renewal process.

The operations team has been busy ensuring good levels of screens and signage were installed prior to the pubs re-opening, all staff were given additional Covid training and we have used social media to promote the need for face coverings and track and trace, even incentivising customers to sign up for the relevant APPs. Several local authorities have commended sites for their implementation of these rules and regulations and used them as a positive example throughout their town.

To assist with the impact of table service we partnered with ROUND a drink ordering APP and this is being steadily rolled out throughout the estate.

The economic environment is extremely volatile, with further restrictions being imposed on the hospitality sector and the rise in Covid infections the virus is still having a huge impact on consumer confidence, and there are no signs of this being allayed in the short term.

The economic environment remains extremely uncertain, general furlough is ending, redundancies are increasing, and the government are not inspiring confidence through their mixed messaging and apparent lack of a plan. All these factors are conspiring to damage consumer sentiment.

Regulatory risk

Never has the hospitality sector been so hugely impacted by regulation. From the mandatory closure in March 2020 to the re-opening requirements of social distancing at 2m, then 1m plus mitigation; the guidance and rules have been revised and changed on numerous occasions. The devolved nations are each taking a different approach to regulation and whilst some rules are introduced on an advisory basis, others have been mandated by law. The messaging from governments throughout the United Kingdom has been mixed, conflicting and confusing. With the help of UK Hospitality, we have navigated our

Strategic Report *(continued)*

way through these changes and communicated with each pub relevant changes in its locality. From full lockdowns as seen in Bolton, further restrictions as introduced in Lancashire and the North East we have maintained a tight control on operating hours and local restrictions, be it the rule of 6, single households only, curfewed trading hours and we have ensured that at all times the safety of the staff, customers and security of the business for all stakeholders is paramount.

Due to the current volatile environment we are trading in future risks are of a return to full lockdown, more draconian curfew restrictions, the end of the furlough scheme and job support schemes and the return to the 20% vat rate on soft drinks and snacks.

Financial risk management objectives and policies

During the pandemic the companies cash reserves have been impacted considerably. Due to the nature of its revolving capex facility, at the outset of the pandemic we were able to draw the full facility as the conditions for drawdown had previously been met. This enabled us to operate with a good cash buffer throughout the closure period.

The unwinding of trade creditors used c£4.5m of cash reserves. 80% of the company's workforce were put on furlough for the duration of the lockdown period, April to June. The pub operating companies were paid a weekly custodian fee to maintain the pubs in good order and protect the assets during closure. Many rose to the challenge finding innovative ways to fill their time and enhance the pub facilities ready for re-opening. The operators are at the heart of each pub and were key to a successful return to full trading. Due to the nature of the national lockdown many key cost lines were suspended by our suppliers. Non-domestic rates in the hospitality sector were cancelled for the year ending 31 March 2021 and grants were made available relative to the rateable value on the premises. The full cash cost of the closure period excluding re-opening costs was £8m.

Future developments

All current expansion plans are on hold. Prior to the lockdown the company had exchanged on four new sites, these sites are contractually required to complete. The refurbishment and opening of these sites is suspended until there is clarity on future trading levels and clear indications that restrictions imposed due to the pandemic have been fully lifted.

	2 February 2020	3 February 2019
	£'000	£'000
Turnover	**86,280**	81,343
Company EBITDA (1)	**18,961**	17,505
Unit EBITDA (2)	**23,487**	21,726
Operating Profit	**13,021**	12,213
	2020	2019
	No	No
Owned public houses at Year End	**156**	148

Financial key performance indicators

(1) Company earnings before interest, tax, depreciation and amortisation (EBITDA) is calculated based on the operating profit plus depreciation and amortisation charge as per management information.

(2) Unit EBITDA is calculated based on Company EBITDA plus central overhead costs

Strategic Report *(continued)*

The Company has invested £12.3m into the estate during the year. At the beginning of 2019/20 the Company owned 143 units. A further 13 units were acquired during the period and no sites were disposed of, 10 of the new sites were trading at 2 February 2020. The estate then consisted of 153 trading freehold public houses with a further 4 sites being refurbished. Since its period end the Company has opened one site in Hartlepool and completed on a further 1 new site.

In October 2017 the Group re-financed with it's incumbent bankers HSBC and secured a revolving credit facility to facilitate its expansion program under its new ownership, and to accelerate its acquisition program. These facilities were initially a 4-year term with two built in extension opportunities in October 2018 and October 2019. In October 2019 the facility was extended to October 2023.

As required in the finance documents the company was required to have a formal revaluation of its estate by the end of October 2020. Savills were appointed by HSBC to undertake the review of the estate which based on the valuation when the facility was extended totalled £146,265,000, this compares very well to the new portfolio valuation of £145,395,000 considering the unprecedented times we are in. Savills commented favourably on the quality and condition of the estate and that the work undertaken to be Covid compliant was market leading.

The Directors take confidence that the Company's well proven formula of a value offer in a modern community pub environment will return to delivering solid trading results once the pandemic has lifted, and it is able to fully resume its quality service to its customers, providing a safe and welcoming environment in what will no doubt be a challenging economic environment for the consumer.

Section 172

As a Board, we are committed to long term sustainable growth, taking into account all stakeholders, and we underpin this with a collegiate approach and high standards of corporate governance.

Our Customers

Our business model is predicated on providing consistent value and quality, and our customers have regular contact with the operators of our pubs, thus ensuring regular feedback. We believe we are at the heart of the local communities we operate in.

Our Colleagues

Our small team and flat structure ensure regular and open dialogue between all colleagues, both formally and informally, in addition there are regular briefings, face to face meetings and a weekly newsletter, FYI.

Our suppliers

Our long-term relationships with our key suppliers demonstrate the success of our collaborative and transparent approach. There is regular communication, payment terms are respected, and any issues dealt with promptly in a proportionate and reasonable manner.

Our Shareholders

Key shareholders attend monthly Board Meetings and shareholders are communicated with via a formal report on a twice-yearly basis.

Our Communities and Society

We see each of our pubs as a local community asset and work closely with all stakeholders to ensure we create a valued and responsible business. Many of our operating protocols are held up as exemplars by statutory authorities.

By order of the board

J L Jones
Director

16 November 2020

Directors' Report

The Directors present their report and the financial statements for the 52-week period ended 2 February 2020.

Results and Dividends

The profits for the period, after taxation, amounted to £11,348,409 (*2019: £10,507,501*).

No dividends have been paid in the period.

Directors

The Directors who served during the period were:

J E Baer
J L Jones
S P Frankland
M D George
M J Goddard
G E Roberts

Qualifying third party indemnity provisions

The Directors benefited from qualifying indemnity insurance policies in place during the financial period.

Going concern

The company reported a profit of £11,348,409 for the 52-week period ended 2 February 2020 and as at 2 February 2020 has net assets of £95,827,370 and net current liabilities of £38,682,144. Subsequent to the year end the COVID-19 pandemic has had a significant effect on the company's operations including the enforced closure of pubs nationally until 4 July 2020, the introduction of the 10pm curfew on 24 September, a second national lockdown and further local actions.

The company is the trading subsidiary of Kildale Topco Limited and is financed by facilities provided by other Group companies. The directors have carried out a thorough review of the Group's activities and have projected the Group's performance forward on a variety of scenarios. These scenarios take into account the effect of government policy, the uncertain nature of the COVID-19 pandemic, the nature of facilities present and financial support available to the business, together with the performance of the business following the year end and following the reopening of pubs in July 2020.

Due to the impact of the pandemic and the closure of the business for 15 weeks, the Group approached its lenders HSBC who provide the senior and revolving capex facilities and Ares who provide second lien and PIK facilities in order to revise the covenant tests to avert any breach of the facilities. Covenants are presently based on EBITDA for the previous 12 months and measured quarterly are interest cover, leverage and debt servicing.

Detailed modelling to demonstrate the impact on covenants from temporary closure were produced, given the reduced trading capacity and cash management for the 15-week closure period to the end of July 2020. As a result, certain covenants were amended from April 2020, alongside the deferral of two quarters amortisation on the senior debt of £1m in total, payment of 50% of the second lien interest and capitalisation of the £456k balance onto the existing loan facility. These amended covenant tests were comfortably met.

A further reset has been replicated in October 2020. However, with the ongoing uncertainty within the sector and indeed wider economy the lenders have indicated their continued support and that they will revisit the future quarters in February 2021 when there should be more clarity over the required amendments. At the balance sheet date, the bank has not agreed a waiver or amendment of these covenants and therefore there is a material uncertainty as to whether the loan could be recalled in the event that the bank did not agree to waive or amend these future covenants

Further support to the business has been made available via an equity injection of £3m from the existing shareholders. MXP, the Group's ultimate shareholder, has confirmed to the Group that the injection will take place by 30th November 2020 and that further support would be available if required. Kildale Topco Limited has confirmed its support to the company.

Based on the sensitised forecasts completed by management, the support exhibited by lenders and equity injection being provided by shareholders, the directors consider the Company will be able to meet its liabilities as they fall due for the foreseeable future, subject to the uncertainty noted above, and therefore continue to adopt the going concern assumption in preparing the financial statements.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and RSM UK Audit LLP will therefore continue in office.

Modern Slavery Act 2015

In accordance with the requirements of the Modern Slavery Act, the board has reviewed and approved its compliance statement, this can be viewed on the company website www.ambertaverns.co.uk

Strategic Report

The information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and reports) regulations 2008 has been included in the separate Strategic Report in accordance with Section 414C (11) of the Companies Act 2006 (strategic Report and Directors' Report) Regulations 2013).

By order of the Board

J L Jones

Director

The Victory Office
112 Victory Road
Blackpool
Lancashire
FY1 3NW

16 November 2020

Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report and 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).

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:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

d. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMBER TAVERNS LIMITED

Opinion

We have audited the financial statements of Amber Taverns Limited (the 'company') for the 52-week period ended 2 February 2020 which comprise Statement of Profit & loss account, Other comprehensive income, Balance sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 2 February 2020 and of the company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

Material uncertainty related to going concern

We draw attention to the section titled "Going Concern" within note 1 to the financial statements, which indicates that the company reported a profit of £11,348,409 for the 52 week period ended 2 February 2020 and as at 2 February 2020 has net assets of £95,827,370 and net current liabilities of £38,682,144. As stated in note 1, the company has been significantly impacted by the COVID-19 pandemic. These conditions, along with other matters set out in note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report 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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters 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 by the parent company, 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 set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.

RSM UK Audit LLP

Jonathan Lowe (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP,
Statutory Auditor
Chartered Accountants
Bluebell House, Brian Johnson Way
Preston, PR2 5PE

16 November 2020

Profit and Loss Account
for the 52-week period ended 2 February 2020

	Note	2020 £	2019 £
Turnover	2	**86,280,085**	81,343,224
Cost of sales		**(31,672,185)**	(30,544,922)
Gross profit		**54,607,900**	50,798,302
Administrative expenses	4	**(41,648,897)**	(38,638,409)
Other operating income	3	**61,931**	53,170
Operating profit		**13,020,934**	12,213,063
Interest receivable and similar income	7	**897**	7,961
Interest payable and similar charges	8	**(1,691)**	(2,303)
Profit before taxation		**13,020,140**	12,218,721
Taxation on profit for the period	9	**(1,671,731)**	(1,711,220)
Profit for the period		**11,348,409**	10,507,501

All amounts relate to continuing activities.

The notes on pages 14 to 25 form an integral part of these financial statements.

Other Comprehensive Income
for the 52-week period ended 2 February 2020

	2020 £	2019 £
Profit for the period	**11,348,409**	10,507,501
Other comprehensive income		
(Impairment) / revaluation of tangible fixed assets	(578,975)	(940,000)
Tax on other comprehensive income	-	(3,006,309)
Other comprehensive income for the period, net of income tax	(578,975)	(3,946,309)
Total comprehensive income for the period	**10,769,434**	**6,561,192**

The notes on pages 14 to 25 form an integral part of these financial statements.

Balance Sheet
at 2 February 2020

	Note	2020	2020	2019	2019
		£	£	£	£
Fixed assets					
Tangible assets	*10*		143,654,044		136,773,408
Current assets					
Stocks	*11*	4,472,917		4,705,006	
Debtors	*12*	12,660,780		6,138,043	
Cash and bank balances		1,836,568		2,285,304	
		18,970,265		13,128,353	
Creditors: amounts falling due within one year	*13*	(57,652,409)		(56,620,877)	
Net current liabilities			(38,682,144)		(43,492,524)
Total assets less current liabilities			104,971,900		93,280,884
Provisions for liabilities	*14*		(9,144,530)		(8,222,948)
Net Assets			95,827,370		85,057,936
Capital and reserves					
Called up share capital	*15*		3,234,298		3,234,298
Share premium account	*17*		984,298		984,298
Revaluation reserve	*16*		35,879,026		36,458,001
Profit and loss account	*18*		55,729,748		44,381,339
Shareholders' funds			95,827,370		85,057,936

The notes on pages 14 to 25 form an integral part of these financial statements.

The financial statements were approved and authorised by the board on 16 November 2020 and were signed on its behalf by:

J L Jones
Director

Company registered number: 05335601

Statement of Changes in Equity

	Called up Share capital £	Share Premium account £	Revaluation reserve £	Profit and loss account £	Total equity £
Balance at 5 February 2018	3,234,298	984,298	42,500,572	31,777,576	78,496,744
Total comprehensive income for the period					
Profit for the period	-	-	-	10,507,501	10,507,501
Reserve transfer	-	-	(2,096,262)	2,096,262	-
Other comprehensive income (note 19)	-	-	(3,946,309)	-	(3,946,309)
	-	-	(6,042,571)	12,603,763	6,561,192
Balance at 3 February 2019	**3,234,298**	**984,298**	**36,458,001**	**44,381,339**	**85,057,936**

	Called up Share capital £	Share Premium account £	Revaluation reserve £	Profit and loss account £	Total equity £
Balance at 4 February 2019	3,234,298	984,298	36,458,001	44,381,339	85,057,936
Total comprehensive income for the period					
Profit for the period	-	-	-	11,348,409	11,348,409
Other comprehensive income (note 19)			(578,975)	-	(578,975)
	-	-	-	-	-
Total comprehensive income for the period	-	-	(578,975)	11,348,409	10,769,434
Balance at 2 February 2020	**3,234,298**	**984,298**	**35,879,026**	**55,729,748**	**95,827,370**

The notes on pages 14 to 25 form an integral part of these financial statements.

Notes to the Financial Statements

1 Accounting Policies

Basis of preparation

Amber Taverns Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2017 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

The Company's ultimate parent undertaking, Kildale Topco Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Kildale Topco Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In these financial statements, the Company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.
- The disclosures required by FRS102.11 *Basic Financial Instruments* and FRS102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule I

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

These financial statements have been prepared on a 52-week basis to the 2nd February 2020.

Measurement convention

The financial statements are prepared on the historical cost basis except for the following assets and liabilities are stated at their fair value: tangible fixed assets are measured in accordance with the revaluation model.

Going concern

The company reported a profit of £11,348,409 for the 52-week period ended 2 February 2020 and as at 2 February 2020 has net assets of £95,827,370 and net current liabilities of £38,682,144. Subsequent to the year end the COVID-19 pandemic has had a significant effect on the company's operations including the enforced closure of pubs nationally until 4 July 2020, the introduction of the 10pm curfew on 24 September, a second national lockdown and further local actions.

The company is the trading subsidiary of Kildale Topco Limited and is financed by facilities provided by other Group companies. The directors have carried out a thorough review of the Group's activities and have projected the Group's performance forward on a variety of scenarios. These scenarios take into account the effect of government policy, the uncertain nature of the COVID-19 pandemic, the nature of facilities present and financial support available to the business, together with the performance of the business following the year end and following the reopening of pubs in July 2020.

Due to the impact of the pandemic and the closure of the business for 15 weeks, the Group approached its lenders HSBC who provide the senior and revolving capex facilities and Ares who provide second lien and PIK facilities in order to revise the covenant tests to avert any breach of the facilities. Covenants are presently based on EBITDA for the previous 12 months and measured quarterly are interest cover, leverage and debt servicing.

Detailed modelling to demonstrate the impact on covenants from temporary closure were produced, given the reduced trading capacity and cash management for the 15-week closure period to the end of July 2020. As a result, certain covenants were amended from April 2020, alongside the deferral of two quarters amortisation on the senior debt of £1m in total, payment of 50% of the second lien interest and capitalisation of the £456k balance onto the existing loan facility. These amended covenants tests were comfortably met.

A further reset has been replicated in October 2020. However, with the ongoing uncertainty within the sector and indeed wider economy the lenders have indicated their continued support and that they will revisit the future quarters in February 2021 when there should be more clarity over the required amendments. At the balance sheet date, the bank has not agreed a waiver or amendment of these covenants and therefore there is a material uncertainty as to whether the loan could be recalled in the event that the bank did not agree to waive or amend these future covenants

Notes *(Continued)*

1 Accounting Policies *(continued)*

Further support to the business has been made available via an equity injection of £3m from the existing shareholders. MXP, the Group's ultimate shareholder, has confirmed to the Group that the injection will take place in October and November 2020 and that further support would be available if required. Kildale Topco Limited has confirmed its support to the company.

Based on the sensitised forecasts completed by management, the support exhibited by lenders and equity injection being provided by shareholders, the directors consider the Company will be able to meet its liabilities as they fall due for the foreseeable future, subject to the uncertainty noted above, and therefore continue to adopt the going concern assumption in preparing the financial statements.

Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied during the period, exclusive of Value Added Tax and trade discounts.

Turnover is recognised when the significant risks and benefits of ownership of the goods have transferred to the customer.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Employee benefits

Defined contribution plans and other long-term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes *(continued)*

1 Accounting Policies *(continued)*

Tangible fixed assets

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

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Freehold buildings	-	50 years to an 80% residual value
Fixtures and fittings	-	2-10 years

Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Revaluation

Individual freehold and leasehold properties are stated at fair value less any subsequent accumulated depreciation and impairment losses.

Gains on revaluation are recognised in other comprehensive income and accumulated in revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease previously recognised in profit or loss.

Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. Any excess is recognised in profit or loss.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell. Cost is based on the first-in first-out principle.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Notes *(continued)*

1 Accounting Policies *(continued)*

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, ("CGU's) or //CGU's// that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Significant judgements and estimates

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

- Value of properties outside of the revaluation year.
- The residual Valuation of Land and Buildings
- Depreciation charge on the Fixed Assets
- Expected extra VAT payment

Notes *(continued)*

1 Accounting Policies *(continued)*

The directors of the company do not expect the value of the land and building to drop below 80% of the original value. These judgements have been made to past exposure and experience in this field. This has led them to believe that the depreciation policy as stated above shows a true and fair value of the carrying values of assets. The revaluation policy in place of a full revaluation of sites held every three years, ensures that the directors' assumptions are correct. Due to the value of the carrying value of the Land and Buildings this makes the judgment significant. The carrying value of the Land and Buildings is £115,095,574 *(2019: £110,898,901)*.

Any impairments that occur during the year are calculated using the EBITDA result against the multiple of valuation. From this the Directors can review for any impairments.

The company is providing a provision for extra VAT due to HMRC due to findings on a recent VAT inspection. The directors have decided for it to be prudent to provide a provision on a worst-case basis.

2 Turnover

The whole of the turnover is attributable to the principal activity of the Company.

All turnover arose within United Kingdom.

3 Other operating income

	2020	2019
	£	£
Rents receivable	**61,931**	53,170

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2020	2019
	£	£
Depreciation of tangible fixed assets owned by the Company	**4,606,387**	4,204,191
Loss on disposal of tangible fixed assets	**(173,730)**	(24,854)
Impairment of tangible fixed assets	**(150,000)**	97,398
Costs of Stock	**31,440,095**	31,110,483

Auditor's remuneration:

	2020	2019
	£	£
Audit of these financial statements	**21,500**	21,500
Amounts receivable by the Company's auditor and its associates in respect of:		
- Taxation compliance services	**3,000**	3,000
- Taxation advisory services	**29,600**	-

Notes *(continued)*

5 Staff numbers and costs

	2020	2019
		£
Wages and salaries	**2,191,013**	2,165,189
Social security costs	**253,034**	230,648
Contributions to defined contribution plans	**98,134**	99,111
	2,542,181	2,494.948

The 2019 comparator breakdown has been amended due to an error in the reporting of some social security costs within wages and salaries

The average monthly number of persons employed by the Company (including Directors), during the period was as follows

	2020	2019
	No	No
Number of administration staff	**40**	41
Number of Key Management staff	**4**	4
	44	45

6 Directors' remuneration

	2020	2019
	£	£
Directors' remuneration	**715,241**	723,366
Company contributions to defined contribution schemes	**42,500**	40,080
	757,741	763,446

The aggregate of remuneration and Company pension contributions of the highest paid Director was £240,500 *(2019: £207,500)*. Retirement benefits are accruing to three Directors under defined contribution schemes *(2019: four)*.

7 Interest receivable

	2020	2019
	£	£
Interest receivable	**897**	7,961

8 Interest payable

	2020	2019
	£	£
Interest payable	**1,691**	2,303

Notes *(continued)*

9 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2020 £	2019 £
Current tax		
UK corporation tax charge on profit for the period	**1,214,938**	1,322,596
Adjustment for prior period	**(33,113)**	-
Total current tax	**1,181,825**	1,322,596
Deferred tax – see note 14		
Origination and reversal of timing differences	**489,906**	388,624
Total deferred tax	**489,906**	388,624
Tax on profit	**1,671,731**	1,711,220

	2020			2019		
	£ Current tax	**£ Deferred tax**	**£ Total tax**	£ Current tax	£ Deferred tax	£ Total tax
Recognised in Profit and loss account	**(1,181,825)**	**(489,906)**	**(1,671,731)**	(1,322,596)	(388,624)	(1,711,220)
Recognised in other comprehensive income	-	-	-	-	(3,006,309)	(3,006,309)
Total tax	**(1,181,825)**	**(489,906)**	**(1,671,731)**	(1,322,596)	(3,394,933)	(4,717,529)

Notes *(continued)*

9 Taxation *(continued)*

Reconciliation of effective tax rate

	Period ended 2 February 2020 £	Period ended 3 February 2019 £
Profit for the period	**11,348,409**	10,507,501
Total tax expense	**1,671,731**	1,711,220
Profit excluding taxation	**13,020,140**	12,218,721
Profit multiplied by standard rate of corporation tax in the UK of 19% (*2019: 19%*)	**2,473,827**	2,321,557
Effects of:		
Non-tax deductible impairment	**548,614**	18,740
Expenses not deductible for tax purposes, other than impairment	**9,891**	(112,728)
Difference corporation tax rate and deferred tax rate	**(57,636)**	-
Capital Disposals and deferred tax on revaluations	**(174,239)**	383,902
Group relief received	**(1,095,613)**	(900,251)
Prior Year Adjustments	**(33,113)**	-
Total tax expense included in profit or loss	**1,671,731**	1,711,220

Factors that may affect future current and total tax charges

The Chancellor stated his intention to keep the main rate of corporation tax at 19% from 1 April 2020 replacing the expected reduction to 17%. This change was substantially enacted on 17 March 2020 and will be reflected in future accounting periods ending after this date.

Notes *(continued)*

10 Tangible fixed assets

	Freehold land and buildings £	Fixtures and fittings £	Total £
Cost or valuation:			
At 4 February 2019	119,826,954	41,466,922	161,293,876
Additions	5,556,130	6,851,080	12,407,210
Disposals	(127,032)	(3,829,729)	(3,956,760)
At 2 February 2020	125,256,052	44,488,273	169,744,325
Depreciation:			
At 4 February 2019	8,928,053	15,592,415	24,520,468
Charge for the period	504,366	4,102,021	4,606,387
Impairment Losses	728,975	-	728,975
On disposals	(916)	(3,764,633)	(3,765,549)
At 2 February 2020	10,160,478	15,929,803	26,090,281
Net book value			
At 2 February 2020	**115,095,574**	**28,558,470**	**143,654,044**
At 3 February 2019	110,898,901	25,874,507	136,773,408

Leased assets

At period end, the net carrying amount of fixed assets leased under finance lease was £nil *(2019: £nil).*

Revaluation

Land and buildings are valued by independent valuers, CBRE Limited, external and independent Chartered Surveyors, in accordance with the RICS appraisal and valuation standards published by the Royal Institute of Chartered Surveyors every 3 years. The last valuation was carried out on 18 July 2017.

The historical cost of the freehold land and buildings included at valuation is £81,827,368 (*2019: £77,762,189*) and accumulated historical cost deprecation is £3,538,316 (*2019: £3,211,007*). As such, the historical cost net book value of the freehold land and buildings is £78,289,052 (*2019: £74,551,182*).

Security

The land and buildings of Amber Taverns Limited have been pledged as security against the bank loans of Kildale Bidco Limited and Kildale Pikco Limited, which are related companies.

11 Stocks

	2020 £	2019 £
Goods for resale	**4,472,917**	4,705,006

Notes *(continued)*

12 Debtors

	2020 £	2019 £
Trade debtors	**1,189,866**	778,472
Amounts owed from group undertakings	**10,287,964**	4,433,916
Prepayments and accrued income	**1,182,950**	925,655
	12,660,780	6,138,043

13 Creditors: amount falling due within one year

	2020 £	2019 £
Trade creditors	**5,675,525**	5,932,778
Amounts owed to group undertakings	**47,985,513**	47,224,520
Other taxation and social security	**1,182,035**	732,016
Accruals and deferred income	**2,349,512**	2,469,557
Corporation tax creditor	**459,824**	262,006
	57,652,409	56,620,877

14 Provisions for Liabilities

	2020 £	2019 £
Deferred Taxation	**8,712,854**	8,222,948
VAT Payment expected	**431,676**	-
	9,144,530	8,222,948

Deferred tax assets and liabilities are attributable to the following:

	Assets 2020 £	2019 £	Liabilities 2020 £	2019 £	Net 2020 £	2019 £
Accelerated capital allowances	**-**	-	**(3,320,877)**	(2,678,891)	**(3,320,877)**	(2,678,891)
On revalued assets	**-**	-	**(5,391,977)**	(5,544,057)	**(5,391,977)**	(5,544,057)
Tax assets / (liabilities)	**-**	-	**(8,712,854)**	(8,222,948)	**(8,712,854)**	(8,222,948)

Notes *(continued)*

15 Capital and reserves

	2020	2019
	£	£
Allotted, called up and fully paid		
6,468,596 Ordinary shares of £0.50 each	**3,234,298**	3,234,298

16 Revaluation reserve

Where tangible fixed assets are revalued, the cumulative increase in the fair value of the property at the date of reclassification in excess of any previous impairment losses is included in the revaluation reserve.

17 Share Premium Account

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

18 Profit and Loss Account

Includes all current and prior period retained profits and losses net of distribution to owners.

19 Other comprehensive income

2020

	Revaluation reserve	**Profit and loss account**	**Total Other comprehensive income**
	£	**£**	**£**
Other comprehensive income			
Revaluation of tangible fixed assets	(578,975)	-	(578,975)
Deferred tax on other comprehensive income	-	-	-
Total other comprehensive income	**(578,975)**	**-**	**(578,975)**

2019

	Revaluation reserve	**Profit and loss account**	**Total Other comprehensive income**
	£	**£**	£
Other comprehensive income			
Revaluation of tangible fixed assets	(940,000)	-	(940,000)
Deferred tax on other comprehensive income	(3,006,309)	-	(3,006,309)
Total other comprehensive income	**(3,946,309)**	**-**	**(3,946,309)**

Notes *(continued)*

20 Capital commitments

The Company's contractual commitments to purchase tangible fixed assets at the period-end were £444,400 *(2019: £488,500).*

21 Related parties

Advantage has been taken of the exemption given within FRS 102 Section 33 "Related Party Transactions" to wholly owned subsidiaries, not to disclose related party transactions with members of the group.

There is a composite Unlimited Multilateral Guarantee given by Kildale Parentco Limited, Kildale Bidco Limited, Ingleby (1951) Limited, Ingleby (1952) Limited, Apis Limited, Melli Limited, Amber Taverns Limited. There is a fixed charge over all present freehold and leasehold property, a first fixed charge over book and other debtors and a first floating charge over all assets and undertaking both present and future dated 27 October 2017.

22 Post balance sheet events

Subsequent to the year end, the COVID-19 pandemic has impacted the operations of the Group significantly. This is considered to be a non-adjusting post balance sheet event. The directors have considered the ongoing impact of the COVID-19 pandemic and relevant disclosure has been made within the strategic report and going concern accounting policy. The directors have also considered the impact to the property market which has resulted in a diminution of value in the tangible fixed assets, however this is not a material impact.

23 Ultimate parent undertaking and controlling related party

The Company is a subsidiary of Melli Limited. The ultimate parent Company is Kildale Topco Limited, which is the largest group in which the Company is a member and for which Group Financial Statements are drawn up. Kildale Topco Limited is registered in England. Copies of the consolidated financial statements of Kildale Topco Limited can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate controlling party is MxP Partners LLP who own 66.9% as shareholder of Kildale Topco (2019: MxP Partners LLP).