

COMPANY REGISTRATION NUMBER: 06438785

**BANBURY HEATH LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 DECEMBER 2017**



BANBURY HEATH LIMITED

FINANCIAL STATEMENTS

PERIOD FROM 26 DECEMBER 2016 TO 31 DECEMBER 2017

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BANBURY HEATH LIMITED

STRATEGIC REPORT

PERIOD FROM 26 DECEMBER 2016 TO 31 DECEMBER 2017

GOING CONCERN

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

PRINCIPAL ACTIVITIES

The company's principal activity is the sale of pizzas.

RESULTS FOR THE FINANCIAL YEAR

The audited financial statements for the period ended 31 December 2017 was a profit of £2,432,683 (2016: £2,435,194).

BUSINESS REVIEW

The company has been profitable this financial period and is expected to continue to do so by way of an excellent product, effective management and control and with the support of the franchisor which has an impressive track record in the United Kingdom and abroad. This has seen the increase in turnover from £20,442,413 for the period ended 25 December 2016 to £21,861,114 for the period ended 31 December 2017. The director expects the trading levels of existing stores to continue to improve.

RISKS AND UNCERTAINTIES

Economic Risk - The company is exposed to any slowdown in the UK economy, arising from level of employment, disposable income, interest rates and consumer confidence. The risk is mitigated by maintaining a wide customer basis and a competitive offering in the market through management's close relationship with the franchise operator.

Regulatory risks - The company's operations require compliance with a wide range of regulations: such as health and safety and hygiene procedures. The company has implemented a rigorous regime of standards and safety checks (including food) to ensure each store is operating at the highest of standards.

Consumer taste - Any material change in the consumer taste of the pizza delivery industry could adversely affect the company. The company works alongside Domino's at assessing demographic trends, ensuring innovation and fresh products are available to customers.

Liquidity risks - In order to maintain liquidity to ensure sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long term and short term debt finance.

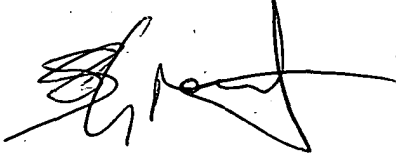
The company does not in general expose itself to fluctuations in changes in foreign currency exchange rates. Due to the nature of the business, there is little exposure to credit risk either; and therefore no specific policies are required in respect of trade receivables.

BANBURY HEATH LIMITED

STRATEGIC REPORT *(continued)*

PERIOD FROM 26 DECEMBER 2016 TO 31 DECEMBER 2017

This report was approved by the board of directors on 26/9/18 and signed on behalf of the board by:



S S Grewal
Director

Registered office:
The Courtyard
Chapel Lane
Banbury
Oxon
OX15 4DB

BANBURY HEATH LIMITED

DIRECTORS' REPORT

PERIOD FROM 26 DECEMBER 2016 TO 31 DECEMBER 2017

The directors present their report and the financial statements of the company for the period ended 31 December 2017.

Directors

The directors who served the company during the period were as follows:

S S Grewal
D Xhemali

Dividends

Particulars of recommended dividends are detailed in note 11 to the financial statements.

Employment of disabled persons

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee Involvement

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the company's profit sharing schemes.

Qualifying Indemnity provision

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force during the financial period and as at the date of approving the directors' report.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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.

BANBURY HEATH LIMITED

DIRECTORS' REPORT *(continued)*

PERIOD FROM 26 DECEMBER 2016 TO 31 DECEMBER 2017

Directors' responsibilities statement *(continued)*

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

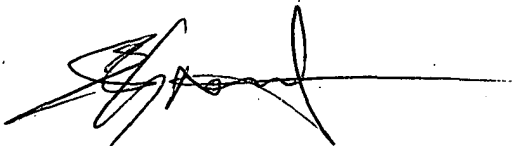
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

Statement of disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all 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.

This report was approved by the board of directors on 26/9/18..... and signed on behalf of the board by:



S S Grewal
Director

Registered office:
The Courtyard
Chapel Lane
Banbury
Oxon
OX15 4DB

Independent auditors' report to the members of Banbury Heath Limited

Report on the audit of the financial statements

Opinion

In our opinion, Banbury Heath Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its result for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the profit and loss account; the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Director's Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Director's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Director's Report for the period ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Director's Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Director's responsibilities statement set out on pages 3-4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

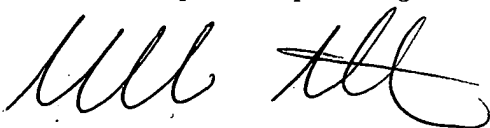
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Mark Foster (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes

26 September 2018

BANBURY HEATH LIMITED
PROFIT AND LOSS ACCOUNT

PERIOD FROM 26 DECEMBER 2016 TO 31 DECEMBER 2017

		Period from 26 Dec 16 to 31 Dec 17 £	Period from 28 Dec 15 to 25 Dec 16 £
Turnover	Note 4	21,861,114	20,442,413
Cost of sales		(15,012,483)	(14,179,544)
Gross profit		6,848,631	6,262,869
Administrative expenses		(3,718,453)	(3,202,915)
Other operating income		34,646	39,700
Operating profit	5	3,164,824	3,099,654
Interest payable and similar expenses	9	(35,165)	(3,417)
Profit before taxation		3,129,659	3,096,237
Tax on profit	10	(696,976)	(661,043)
Profit for the financial period and total comprehensive income		<u>2,432,683</u>	<u>2,435,194</u>

All the activities of the company are from continuing operations.

The notes on pages 10 to 24 form part of these financial statements.


BANBURY HEATH LIMITED

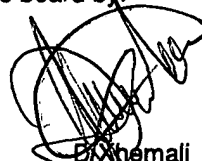
BALANCE SHEET

31 DECEMBER 2017

	Note	31 Dec 17 £	25 Dec 16 £
Fixed assets			
Intangible assets	12	589,090	1,071,418
Tangible assets	13	1,966,614	1,695,794
		<u>2,555,704</u>	<u>2,767,212</u>
Current assets			
Stocks	15	101,788	89,383
Debtors	16	5,671,797	3,510,466
Cash at bank and in hand		1,076,115	1,627,792
		<u>6,849,700</u>	<u>5,227,641</u>
Creditors: amounts falling due within one year	17	<u>(2,807,195)</u>	<u>(3,067,827)</u>
Net current assets		4,042,505	2,159,814
Total assets less current liabilities		6,598,209	4,927,026
Creditors: amounts falling due after more than one year	18	<u>(251,375)</u>	<u>(52,875)</u>
Net assets		<u>6,346,834</u>	<u>4,874,151</u>
Capital and reserves			
Called up share capital	21	1,000	1,000
Profit and loss account	22	6,345,834	4,873,151
Total shareholders' funds		<u>6,346,834</u>	<u>4,874,151</u>

These financial statements were approved by the board of directors and authorised for issue on 26/9/18, and are signed on behalf of the board by:


S S Grewal
Director


D Khemali
Director

Company registration number: 06438785

The notes on pages 10 to 24 form part of these financial statements.

BANBURY HEATH LIMITED
STATEMENT OF CHANGES IN EQUITY
PERIOD FROM 26 DECEMBER 2016 TO 31 DECEMBER 2017

		Called up share capital £	Profit and loss account £	Total shareholders' funds £
At 28 December 2015		1,000	3,397,957	3,398,957
Profit for the period			2,435,194	2,435,194
Total comprehensive income for the period		—	2,435,194	2,435,194
Dividends paid and payable	11	—	(960,000)	(960,000)
Total investments by and distributions to owners		—	(960,000)	(960,000)
At 25 December 2016		1,000	4,873,151	4,874,151
Profit for the period			2,432,683	2,432,683
Total comprehensive income for the period		—	2,432,683	2,432,683
Dividends paid and payable	11	—	(960,000)	(960,000)
Total investments by and distributions to owners		—	(960,000)	(960,000)
At 31 December 2017		<u>1,000</u>	<u>6,345,834</u>	<u>6,346,834</u>

The notes on pages 10 to 24 form part of these financial statements.

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 26 DECEMBER 2016 TO 31 DECEMBER 2017

1. General Information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is The Courtyard, Chapel Lane, Banbury, Oxon, OX15 4DB.

2. Statement of compliance

The principal activity of the company during the year was pizza delivery.

These financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Going concern

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

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of KL Ventures Ltd which can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 400 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its immediate parent undertaking is established under the law of an EEA State.

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

PERIOD FROM 26 DECEMBER 2016 TO 31 DECEMBER 2017

3. Accounting policies (continued)

Judgements and key sources of estimation uncertainty

In applying the Company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The critical judgements that the directors have made in the progress of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

(i) Assessing indicators of impairment

In assessing whether there have been any indicators of impairment of assets, the directors have considered both internal and external sources of information such as market conditions, counterparty credit ratings and experience recoverability. There have been no indicators of impairments identified during the current financial year.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(ii) Estimating value in use

Where an indication of impairment exists the directors will carry out an impairment review to determine the recoverable amount, which is the higher of fair value less cost to sell and value in use. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the asset or the cash generating unit and a suitable discount rate in order to calculate present value.

(iii) Recoverability of receivables

The company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the directors consider factors such as the ageing of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

(iv) Determining residual values and useful economic lives of property, plant and equipment

The company depreciate tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

PERIOD FROM 26 DECEMBER 2016 TO 31 DECEMBER 2017

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty *(continued)*

Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value management aim to assess the amount that the company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

Revenue recognition

The turnover shown in the profit and loss account represents amounts for goods sold during the year, exclusive of Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, usually on despatch of the goods, the amount of revenue can be measured reliably, it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

PERIOD FROM 26 DECEMBER 2016 TO 31 DECEMBER 2017

3. Accounting policies (continued)

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

Goodwill purchased from the acquisition of a new store is capitalised and written off on a straight line basis over its useful economic life, which is the lesser of the trading property lease period or the period of the franchise agreement.

Hive-ups

When the controlling interest of shares are purchased, the company recognises the investment in the entity as an investment for the fair value of consideration paid. No goodwill is recognised.

Where the underlying trade and assets of the entity are then subsequently 'hived up', it is deemed that a business combination has occurred as the initial investment in shares was represented by the underlying trade and assets at the time of acquisition. Differences between the purchase consideration and the trade and net assets recognised is recognised as goodwill (upon acquisition).

Any differences between the goodwill recognised and the initial investment in the entity are written-off to the profit and loss account.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

PERIOD FROM 26 DECEMBER 2016 TO 31 DECEMBER 2017

3. Accounting policies (continued)

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill	-	10% per annum straight line basis
Franchise fee	-	Straight line basis over the term on the franchise agreement

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold improvements	-	Straight line basis over the term of the trading property lease period
Fixtures, fittings & equipment	-	20% per annum straight line basis
Motor vehicles	-	25% Reducing balance basis

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less any accumulated impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

PERIOD FROM 26 DECEMBER 2016 TO 31 DECEMBER 2017

3. Accounting policies *(continued)*

Impairment of fixed assets *(continued)*

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

PERIOD FROM 26 DECEMBER 2016 TO 31 DECEMBER 2017

3. Accounting policies (continued)

Financial instruments

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

Financial assets comprise of debtors and cash.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Financial liabilities comprise of creditors.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, then they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Employee benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided.

BANBURY HEATH LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****PERIOD FROM 26 DECEMBER 2016 TO 31 DECEMBER 2017**

3. Accounting policies (continued)**Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Distributions to equity holders

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

4. Turnover

Turnover arises from:

	Period from 26 Dec 16 to 31 Dec 17	Period from 28 Dec 15 to 25 Dec 16
	£	£
Sale of goods	<u>21,861,114</u>	<u>20,442,413</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating profit

Operating profit or loss is stated after charging:

	Period from 26 Dec 16 to 31 Dec 17	Period from 28 Dec 15 to 25 Dec 16
	£	£
Amortisation of intangible assets	482,328	158,403
Depreciation of tangible assets	395,094	332,545
Loss on disposal of tangible assets	<u>3,116</u>	<u>4,855</u>

6. Auditor's remuneration

	Period from 26 Dec 16 to 31 Dec 17	Period from 28 Dec 15 to 25 Dec 16
	£	£
Fees payable for the audit of the financial statements	<u>16,485</u>	<u>16,065</u>

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

PERIOD FROM 26 DECEMBER 2016 TO 31 DECEMBER 2017

7. Staff costs

The average number of persons employed by the company during the period, including the directors, amounted to:

	31 Dec 17	25 Dec 16
	No.	No.
Operatives	<u>419</u>	<u>451</u>

The aggregate payroll costs incurred during the period, relating to the above, were:

	Period from 26 Dec 16 to 31 Dec 17	Period from 28 Dec 15 to 25 Dec 16
	£	£
Wages and salaries	5,381,083	5,324,746
Social security costs	344,217	310,353
Other pension costs	<u>29,524</u>	<u>26,965</u>
	<u>5,754,824</u>	<u>5,662,064</u>

8. Directors' remuneration

No remuneration has been paid to the directors during the current or previous year.

9. Interest payable and similar expenses

	Period from 26 Dec 16 to 31 Dec 17	Period from 28 Dec 15 to 25 Dec 16
	£	£
Interest on banks loans and overdrafts	34,657	3,307
Other interest payable and similar expenses	<u>508</u>	<u>110</u>
	<u>35,165</u>	<u>3,417</u>

10. Tax on profit

Major components of tax expense

	Period from 26 Dec 16 to 31 Dec 17	Period from 28 Dec 15 to 25 Dec 16
	£	£
Current tax:		
UK current tax expense	713,107	668,066
Adjustments in respect of prior periods	<u>(10,220)</u>	<u>1,056</u>
Total current tax	<u>702,887</u>	<u>669,122</u>

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

PERIOD FROM 26 DECEMBER 2016 TO 31 DECEMBER 2017

10. Tax on profit (continued)

	Period from 26 Dec 16 to 31 Dec 17 £	Period from 28 Dec 15 to 25 Dec 16 £
Deferred tax:		
Origination and reversal of timing differences	(5,911)	(8,079)
Tax on profit	<u>696,976</u>	<u>661,043</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the period is higher than (2016: higher than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%).

	Period from 26 Dec 16 to 31 Dec 17 £	Period from 28 Dec 15 to 25 Dec 16 £
Profit on ordinary activities before taxation	<u>3,129,659</u>	<u>3,096,237</u>
Profit on ordinary activities by rate of tax	602,352	619,247
Adjustment to tax charge in respect of prior periods	(10,220)	1,056
Effect of expenses not deductible for tax purposes	106,608	41,357
Adjustment to opening deferred tax to average rate	(2,625)	(3,796)
Adjustment to closing deferred tax to average rate	<u>861</u>	<u>3,179</u>
Tax on profit	<u>696,976</u>	<u>661,043</u>

Factors that may affect future tax expense

A reduction in the UK corporation tax rate from 20% to 19% (Effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2017 has been calculated based on these rates.

11. Dividends

Dividends paid during the period (excluding those for which a liability existed at the end of the prior period):

	31 Dec 17 £	25 Dec 16 £
Equity dividends on ordinary shares: £960 per share (2016: £960)	<u>960,000</u>	<u>960,000</u>

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

PERIOD FROM 26 DECEMBER 2016 TO 31 DECEMBER 2017

12. Intangible assets

	Goodwill £	Franchise fees £	Total £
Cost			
At 26 Dec 2016 and 31 Dec 2017	<u>1,462,006</u>	<u>123,750</u>	<u>1,585,756</u>
Accumulated amortisation			
At 26 December 2016	440,650	73,688	514,338
Charge for the period	<u>469,953</u>	<u>12,375</u>	<u>482,328</u>
At 31 December 2017	<u>910,603</u>	<u>86,063</u>	<u>996,666</u>
Carrying amount			
At 31 December 2017	<u>551,403</u>	<u>37,687</u>	<u>589,090</u>
At 25 December 2016	<u>1,021,356</u>	<u>50,062</u>	<u>1,071,418</u>

13. Tangible assets

	Leasehold improvements £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 26 December 2016	1,609,494	1,657,931	1,300	3,268,725
Additions	325,956	343,074	–	669,030
Disposals	–	(109,371)	–	(109,371)
At 31 December 2017	<u>1,935,450</u>	<u>1,891,634</u>	<u>1,300</u>	<u>3,828,384</u>
Accumulated depreciation				
At 26 December 2016	559,525	1,013,108	298	1,572,931
Charge for the period	167,660	227,184	250	395,094
Disposals	–	(106,255)	–	(106,255)
At 31 December 2017	<u>727,185</u>	<u>1,134,037</u>	<u>548</u>	<u>1,861,770</u>
Carrying amount				
At 31 December 2017	<u>1,208,265</u>	<u>757,597</u>	<u>752</u>	<u>1,966,614</u>
At 25 December 2016	<u>1,049,969</u>	<u>644,823</u>	<u>1,002</u>	<u>1,695,794</u>

14. Investments

	Shares in group undertakings £
Cost	
At 26 Dec 2016 and 31 Dec 2017	<u>2,293,341</u>
Impairment	
At 26 Dec 2016 and 31 Dec 2017	<u>2,293,341</u>

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

PERIOD FROM 26 DECEMBER 2016 TO 31 DECEMBER 2017

14. Investments (continued)

	Shares in group undertakings £
Carrying amount	
At 25 Dec 2016 and 31 Dec 2017	<u>—</u>

Subsidiaries, associates and other investments

	Class of share	Percentage of shares held
Subsidiary undertakings		
Sedona (UK) Ltd	Ordinary	100

Sedona (UK) Ltd is dormant.

The address of the registered office of Sedona (UK) Ltd is The Courtyard, Chapel Lane, Banbury, Oxon OX15 4DB.

15. Stocks

	31 Dec 17 £	25 Dec 16 £
Raw materials and consumables	<u>101,788</u>	<u>89,383</u>

Stock recognised in cost of sales during the year as an expense was £6,024,631 (2016: £5,478,094).

The difference between purchase price of stocks and their replacement cost is not material.

16. Debtors

	31 Dec 17 £	25 Dec 16 £
Trade debtors	9,907	1,764
Amounts owed by group undertakings	2,079,882	394,662
Deferred tax asset	66,305	60,394
Prepayments and accrued income	179,666	140,940
Amounts owed by other related entities	3,300,000	2,870,000
Other debtors	<u>36,037</u>	<u>42,706</u>
	<u>5,671,797</u>	<u>3,510,466</u>

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

PERIOD FROM 26 DECEMBER 2016 TO 31 DECEMBER 2017

17. Creditors: amounts falling due within one year

	31 Dec 17	25 Dec 16
	£	£
Other loans	103,917	13,500
Trade creditors	1,053,657	451,553
Amounts owed to group undertakings	2	2
Accruals and deferred income	498,571	830,170
Corporation tax	713,107	668,915
Social security and other taxes	371,114	1,092,404
Other creditors	66,827	11,283
	<u>2,807,195</u>	<u>3,067,827</u>

18. Creditors: amounts falling due after more than one year

	31 Dec 17	25 Dec 16
	£	£
Other loans	<u>251,375</u>	<u>52,875</u>

Other loans are repayable by instalments over the period of the loans until 1 January 2027. The interest rates on the other loans are either interest free or 3% per annum over the LIBOR.

19. Deferred tax

The deferred tax included in the balance sheet is as follows:

	31 Dec 17	25 Dec 16
	£	£
Included in debtors (note 16)	<u>66,305</u>	<u>60,394</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	31 Dec 17	25 Dec 16
	£	£
Accelerated capital allowances	65,465	60,394
Other short term timing differences	840	—
	<u>66,305</u>	<u>60,394</u>

20. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £29,524 (2016: £26,965).