

COMPANY REGISTRATION NUMBER: 06438785

**BANBURY HEATH LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
27 DECEMBER 2020**



BANBURY HEATH LIMITED

FINANCIAL STATEMENTS

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

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BANBURY HEATH LIMITED

STRATEGIC REPORT

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

Principal activities

The principal activity of the company during the year was the sale of pizzas including collection and delivery.

Results for the financial year

The result for the audited financial statements for the period ended 27 December 2020 was a profit of £3,815,313 (2019: £2,497,294).

Business review and future developments

The turnover has remained high at £25,163,548 for the period ended 27 December 2020 (29 December 2019: £23,347,003). The directors expect the trading levels of existing stores to continue to improve.

The key financial highlights are as follows:

	Period ended 27 Dec 20 £	Period ended 29 Dec 19 £
Turnover	25,163,548	23,347,003
Gross profit margin	31.3%	28.1%
EBITDA	4,917,429	3,543,894

COVID-19

The period has been dominated by the impact of COVID-19 and the business carefully considered all of our stakeholders in our decision making, working closely with our Master Franchisor.

During March 2020 the Government announced that businesses offering takeaway and delivery services could remain open, and throughout the COVID-19 pandemic we have remained operational.

The business implemented a range of operational actions to prioritise the safety and well-being of its staff and customers, including (but not limited to) closing all stores for carry out on 24 March, implementing 100% contact free delivery service, moving to 100% Cashless Payment, rationalising the menu and increasing hand washing and store hygiene practices.

As the business has remained open and trading throughout the crisis, the business has not had the need to avail itself of the Government Furlough Scheme for employees.

Any increase in operational expenses due to the crisis, has been partially offset by the Government's decision to stop the payment of business rates for a 12 month period and the awarding of cash grants (up to £25,000) to qualifying properties based on the rateable value of the property.

We are hopeful that the year ahead will see our lives and the economy slowly return to full activity. We continue to be adaptable and agile, and are well placed to react to any changing circumstances as required.

BANBURY HEATH LIMITED

STRATEGIC REPORT *(continued)*

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

Risks and uncertainties

The business faces a wide range of risks. The principal risks and how they are mitigated or managed is set out below.

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 base and a competitive offering in the market through management's close relationship with the franchise operator.

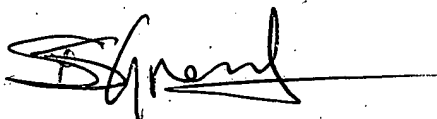
Regulatory risks - The company's operations require compliance with a wide range of regulations: such as health and safety and hygiene procedures. The company has implemented a rigorous regime of standards and safety checks (including food) to ensure each store is operating at the highest of standards.

Consumer taste - Any material change in the consumer taste of the pizza delivery industry could adversely affect the company. The company works alongside the franchise operator 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.

This report was approved by the board of directors on 23/09/21 and signed on behalf of the board by:



S S Grewal
Director

Registered office:
12 North Bar
Banbury
OX16 0TB

BANBURY HEATH LIMITED

DIRECTORS' REPORT

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

The directors present their report and the financial statements of the company for the period ended 27 December 2020.

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 12 to the financial statements.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of staff members become disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

Our committed teams are a key asset of our business. We recognise the importance of creating and maintaining a positive working environment. The directors receive regular updates on matters related to its workforce including reports on health and safety and other matters on workforce engagement. We engage with our employees regularly and provide training and communications through a dedicated platform, regular team meetings and annual awards ceremonies. Their views are taken into account when the directors considered the company's strategy and plans and the approach to ensuring the safety, wellbeing and ongoing support for employees during the COVID-19 pandemic in our stores, offices and working remotely.

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.

Disclosure of information in the strategic report

The company has chosen in accordance with Companies Act 2006, s.414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments and financial risk management.

BANBURY HEATH LIMITED

DIRECTORS' REPORT *(continued)*

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial 52 week period. 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 United Kingdom 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 the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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 judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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.

Directors' confirmations

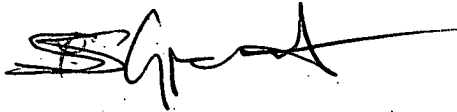
In the case of each director in office at the date of the directors' report is approved:

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

BANBURY HEATH LIMITED
DIRECTORS' REPORT *(continued)*

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

This report was approved by the board of directors on 23/09/21 and signed on behalf of the board by:



S S Grewal
Director

Registered office:
12 North Bar
Banbury
OX16 0TB

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 27 December 2020 and of its profit for the period from 30 December 2019 to 27 December 2020;
- 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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 27 December 2020; the statement of comprehensive income and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 27 December 2020 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 Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety regulations, tax legislation and employment laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to artificially enhance financial performance. Audit procedures performed by the engagement team included:

- Having discussions with senior management including consideration of any known or suspected instances of non-compliance with laws and regulation or fraud;
- Obtaining an understanding of the entities policies and procedures on compliance with laws and regulations;
- Reviewing minutes of meetings of those charged with governance;

- Performing procedures to address the risk of management override of controls, including testing journal entries and other adjustments for appropriateness, in particular testing journals posted with unusual account combinations which credited revenue or expenses;
- Reviewing financial statement disclosures and testing these through to supporting documentation to assess compliance with applicable laws and regulations;
- Performing unpredictable audit procedures which focused on transactions relating to Covid-19 to ensure that these transactions were recorded correctly, had evidence to support them, and the correct procedures and compliance with these arrangements were being followed;
- Assessing accounting estimates within the financial statements, and substantively testing those with a material risk to the accounts.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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
Reading
29 September 2021

BANBURY HEATH LIMITED

STATEMENT OF COMPREHENSIVE INCOME

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

		Period from 30 Dec 19 to 27 Dec 20 £	Period from 31 Dec 18 to 29 Dec 19 £
Turnover	Note 4	25,163,548	23,347,003
Cost of sales		(17,278,687)	(16,790,763)
Gross profit		<u>7,884,861</u>	<u>6,556,240</u>
Administrative expenses		(3,459,707)	(3,466,154)
Other operating income	5	<u>296,075</u>	<u>35,700</u>
Operating profit	6	<u>4,721,229</u>	<u>3,125,786</u>
Interest payable and similar expenses	10	<u>(3,488)</u>	<u>(12,107)</u>
Profit before taxation		<u>4,717,741</u>	<u>3,113,679</u>
Tax on profit	11	<u>(902,428)</u>	<u>(616,385)</u>
Profit for the financial period and total comprehensive income		<u><u>3,815,313</u></u>	<u><u>2,497,294</u></u>

All the activities of the company are from continuing operations.

The notes on pages 12 to 28 form part of these financial statements.

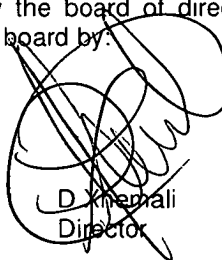
BANBURY HEATH LIMITED
STATEMENT OF FINANCIAL POSITION
27 DECEMBER 2020

	Note	27 Dec 20 £	£	29 Dec 19 £	£
Fixed assets					
Intangible assets	13		11,687		18,437
Tangible assets	14		1,297,814		1,419,815
			<u>1,309,501</u>		<u>1,438,252</u>
Current assets					
Stocks	16	84,585		102,878	
Debtors	17	7,833,798		9,317,641	
Cash at bank and in hand		5,580,684		875,586	
		<u>13,499,067</u>		<u>10,296,105</u>	
Creditors: amounts falling due within one year	18	(3,637,863)		(2,584,265)	
Net current assets			<u>9,861,204</u>		<u>7,711,840</u>
Total assets less current liabilities			<u>11,170,705</u>		<u>9,150,092</u>
Creditors: amounts falling due after more than one year	19		(110,034)		(144,734)
Net assets			<u>11,060,671</u>		<u>9,005,358</u>
Capital and reserves					
Called up share capital	23		1,000		1,000
Profit and loss account	24		11,059,671		9,004,358
Total shareholders' funds			<u>11,060,671</u>		<u>9,005,358</u>

These financial statements were approved by the board of directors and authorised for issue on 23/09/21, and are signed on behalf of the board by:



S S Grewal
Director



D Khemali
Director

Company registration number: 06438785

The notes on pages 12 to 28 form part of these financial statements.

BANBURY HEATH LIMITED

STATEMENT OF CHANGES IN EQUITY

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

		Called up share capital £	Profit and loss account £	Total shareholders' funds £
At 31 December 2018		1,000	7,467,064	7,468,064
Profit for the period		—	2,497,294	2,497,294
Total comprehensive income for the period		—	2,497,294	2,497,294
Dividends paid and payable	12	—	(960,000)	(960,000)
Total investments by and distributions to owners		—	(960,000)	(960,000)
At 29 December 2019		1,000	9,004,358	9,005,358
Profit for the period		—	3,815,313	3,815,313
Total comprehensive income for the period		—	3,815,313	3,815,313
Dividends paid and payable	12	—	(1,760,000)	(1,760,000)
Total investments by and distributions to owners		—	(1,760,000)	(1,760,000)
At 27 December 2020		<u>1,000</u>	<u>11,059,671</u>	<u>11,060,671</u>

The notes on pages 12 to 28 form part of these financial statements.

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 12 North Bar, Banbury, OX16 0TB.

2. Statement of compliance

The principal activity of the company during the year was the sale of pizzas including collection and 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').

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.

Monetary amounts in these financial statements are rounded to the nearest pound.

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.

The impact of COVID-19 has been considered when performing the going concern assessment. Given the limited impact on business operations and mitigating steps taken by management, the going concern basis of accounting remains appropriate, as stated above.

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 Limited 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.

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

3. Accounting policies *(continued)*

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 30 DECEMBER 2019 TO 27 DECEMBER 2020

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 period.

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 period are discussed below.

(i) 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.

(ii) Determining 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.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied, net of returns, discounts and rebates allowed by the company and value added taxes.

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

3. Accounting policies (continued)

Turnover (continued)

The company operates pizza stores for the production and sale of pizzas. Sales of pizzas are recognised when the significant risks and rewards of ownership have transferred to the buyer. This is on sale to the customer, which is considered the point of delivery. Retail sales are usually by cash, credit or payment card.

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 30 DECEMBER 2019 TO 27 DECEMBER 2020

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.

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

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

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

3. Accounting policies *(continued)*

Amortisation *(continued)*

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.

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 and fittings	- 10% straight line - see also changes in accounting estimates note
Motor vehicles	- 25% Reducing balance basis

Changes in accounting estimates

During 2020 the company did a review of the expected useful life of fixtures and fittings. Fixtures and fittings, which management had previously expected had a useful life of 5 years, are now expected to remain in use for 10 years. This is believed to better reflect the life of the assets and the time over which we expect to receive benefit from those assets. The adjustment was made from 30 December 2019. Under the prior year estimate the value of the fixtures and fittings would have been £367,747. Under the new estimate, the value of the fixtures and fittings is £516,071, a reduction in the depreciation expense for the current period of £148,324.

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.

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.

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

3. Accounting policies *(continued)*

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.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accruals model.

Under the accruals model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable and is included within other operating income.

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

3. Accounting policies (continued)

Financial instruments

The company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, which include 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.

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, which include trade and other payables, other loans from third parties and loans from other related entities, 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.

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 30 DECEMBER 2019 TO 27 DECEMBER 2020

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 30 Dec 19 to 27 Dec 20	Period from 31 Dec 18 to 29 Dec 19
	£	£
Sale of goods	25,163,548	23,347,003

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

5. Other operating income

	Period from 30 Dec 19 to 27 Dec 20	Period from 31 Dec 18 to 29 Dec 19
	£	£
Rental income	21,075	35,700
Government grant income	275,000	—
	296,075	35,700

See also note 22 Government grants.

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	Period from 30 Dec 19 to 27 Dec 20	Period from 31 Dec 18 to 29 Dec 19
	£	£
Amortisation of intangible assets	6,750	48,548
Depreciation of tangible assets	189,451	370,100
Loss/(gains) on disposal of tangible assets	3,673	(540)
Government grants	(275,000)	—

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

7. Auditors' remuneration

	Period from 30 Dec 19 to 27 Dec 20	Period from 31 Dec 18 to 29 Dec 19
	£	£
Fees payable for the audit of the financial statements	<u>16,937</u>	<u>14,481</u>

8. Staff costs

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

	27 Dec 20 No.	29 Dec 19 No.
Operatives	<u>550</u>	<u>506</u>

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

	Period from 30 Dec 19 to 27 Dec 20	Period from 31 Dec 18 to 29 Dec 19
	£	£
Wages and salaries	6,530,005	6,325,915
Social security costs	385,444	337,962
Other pension costs	<u>92,020</u>	<u>91,456</u>
	<u>7,007,469</u>	<u>6,755,333</u>

9. Directors' remuneration

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

10. Interest payable and similar expenses

	Period from 30 Dec 19 to 27 Dec 20	Period from 31 Dec 18 to 29 Dec 19
	£	£
Interest on banks loans and overdrafts	561	1,255
Other interest payable and similar expenses	<u>2,927</u>	<u>10,852</u>
	<u>3,488</u>	<u>12,107</u>

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

11. Tax on profit

Major components of tax expense

	Period from 30 Dec 19 to 27 Dec 20 £	Period from 31 Dec 18 to 29 Dec 19 £
Current tax:		
UK current tax expense	888,016	614,079
Adjustments in respect of prior periods	(1,143)	–
Total current tax	<u>886,873</u>	<u>614,079</u>
Deferred tax:		
Origination and reversal of timing differences	15,555	2,306
Tax on profit	<u>902,428</u>	<u>616,385</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the period is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	Period from 30 Dec 19 to 27 Dec 20 £	Period from 31 Dec 18 to 29 Dec 19 £
Profit on ordinary activities before taxation	4,717,741	3,113,679
Profit on ordinary activities by rate of tax	896,371	591,599
Adjustment to tax charge in respect of prior periods	(1,143)	–
Effect of expenses not deductible for tax purposes	14,565	17,421
Adjustment to opening deferred tax to average rate	(7,365)	–
Adjustment to closing deferred tax to average rate	–	7,365
Tax on profit	<u>902,428</u>	<u>616,385</u>

A reduction in the UK corporation tax rate from 19% to 17% (Effective from 1 April 2020) was substantively enacted on 6 September 2016. A change in the UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. The deferred tax asset at 27 December 2020 has been calculated at 19% (2019: 17%).

Factors that may affect future tax expense

A further change in the UK corporation tax rate was announced in the Budget on 3 March 2021. The main rate of corporation tax will be increased to 25% from 1 April 2023. This will increase the company's future current tax charge accordingly.

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

12. Dividends

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

	27 Dec 20	29 Dec 19
	£	£
Equity dividends on ordinary shares: £1,760 per share (2019: £960)	<u>1,760,000</u>	<u>960,000</u>

13. Intangible assets

	Goodwill	Franchise fees	Total
	£	£	£
Cost			
At 30 December 2019 and 27 December 2020	<u>1,462,006</u>	<u>123,750</u>	<u>1,585,756</u>
Accumulated amortisation			
At 30 December 2019	1,462,006	105,313	1,567,319
Charge for the period	—	6,750	6,750
At 27 December 2020	<u>1,462,006</u>	<u>112,063</u>	<u>1,574,069</u>
Carrying amount			
At 27 December 2020	<u>—</u>	<u>11,687</u>	<u>11,687</u>
At 29 December 2019	<u>—</u>	<u>18,437</u>	<u>18,437</u>

14. Tangible assets

	Leasehold improvements	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£
Cost				
At 30 December 2019	1,868,426	2,057,227	1,300	3,926,953
Additions	4,700	68,237	—	72,937
Disposals	—	(349,866)	—	(349,866)
At 27 December 2020	<u>1,873,126</u>	<u>1,775,598</u>	<u>1,300</u>	<u>3,650,024</u>
Accumulated depreciation				
At 30 December 2019	978,175	1,528,086	877	2,507,138
Charge for the period	113,525	75,820	106	189,451
Disposals	—	(344,379)	—	(344,379)
At 27 December 2020	<u>1,091,700</u>	<u>1,259,527</u>	<u>983</u>	<u>2,352,210</u>
Carrying amount				
At 27 December 2020	<u>781,426</u>	<u>516,071</u>	<u>317</u>	<u>1,297,814</u>
At 29 December 2019	<u>890,251</u>	<u>529,141</u>	<u>423</u>	<u>1,419,815</u>

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

15. Investments

	Shares in group undertakings £
Cost	
At 30 December 2019 and 27 December 2020	2,293,341
Accumulated impairment	
At 30 December 2019 and 27 December 2020	2,293,341
Carrying amount	
At 27 December 2020	—
At 29 December 2019	—

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 12 North Bar, Banbury OX16 0TB.

16. Stocks

	27 Dec 20	29 Dec 19
	£	£
Raw materials and consumables	84,585	102,878

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

17. Debtors

	27 Dec 20	29 Dec 19
	£	£
Trade debtors	2,956	4,692
Amounts owed by group undertakings	4,383,482	5,113,482
Deferred tax asset	47,051	62,606
Prepayments and accrued income	145,094	184,708
Directors loan account	—	200,000
Amounts owed by other related entities	3,176,945	3,706,945
Other debtors	78,270	45,208
	7,833,798	9,317,641

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

17. Debtors *(continued)*

Included in trade debtors are amounts totalling £2,956 (2019: £3,961) due from other related entities.

Amounts owed by group undertakings and other related entities are receivable on demand.

18. Creditors: amounts falling due within one year

	27 Dec 20	29 Dec 19
	£	£
Other loans	34,700	34,700
Trade creditors	296,368	565,425
Amounts owed to group undertakings	2	2
Accruals and deferred income	922,406	591,469
Corporation tax	554,378	524,930
Social security and other taxes	1,424,989	420,685
Director loan accounts	400,000	—
Amounts owed to other related entities	—	330,000
Other creditors	5,020	117,054
	<u>3,637,863</u>	<u>2,584,265</u>

Included in trade creditors are amounts totalling £31,207 (2019: £54,051) due to other related entities.

Amounts owed to group undertakings and other related entities are repayable on demand.

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

	27 Dec 20	29 Dec 19
	£	£
Other loans	<u>110,034</u>	<u>144,734</u>

Included within creditors: amounts falling due after more than one year is an amount of £22,984 (2019: £44,184) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

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.

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

20. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	27 Dec 20	29 Dec 19
	£	£
Included in debtors (note 17)	<u>47,051</u>	<u>62,606</u>

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

	27 Dec 20	29 Dec 19
	£	£
Accelerated capital allowances	46,425	61,863
Other short term timing differences	<u>626</u>	<u>743</u>
	<u>47,051</u>	<u>62,606</u>

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £92,020 (2019: £91,456).

22. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	27 Dec 20	29 Dec 19
	£	£
Recognised in other operating income:		
Government grants recognised directly in income	<u>275,000</u>	<u>—</u>

Government grant income includes £275,000 receivable under the Retail, Hospitality and Leisure Grant Scheme.

23. Called up share capital

Issued, called up and fully paid

	27 Dec 20		29 Dec 19	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

24. Reserves

Profit and loss account - this reserve records retained earnings and accumulated losses.

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

25. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	27 Dec 20	29 Dec 19
	£	£
Not later than 1 year	327,142	384,664
Later than 1 year and not later than 5 years	996,688	1,102,486
Later than 5 years	875,331	1,093,955
	<u>2,199,161</u>	<u>2,581,105</u>

In addition to the above the company will be making annual payments of £110,900 (2019: £44,150) in respect of operating leases that have not been finalised yet.

The amount recognised in the profit and loss account as an expense in relation to operating leases was £468,498 (2019: £456,988).

26. Directors' advances, credits and guarantees

During the period the company made an advance to a director amounting to £Nil (2019: £200,000). Repayments of £200,000 (2019: £Nil) were made during the period.

27. Related party transactions

Information about related party transactions and outstanding balances are outlined below:

	27 Dec 20	29 Dec 19
	£	£
Sales to entities with control over the company	959	–
Purchases from entities with control over the company	8,568	4,099
Amounts owed to entities with control over the company	1,577	293
Amounts due from entities with control over the company	4,383,482	5,113,482
Amounts owed to entities over which the entity has control	2	2
Purchases from entities that provide key management personnel	41,123	27,034
Assets purchased from entities that provide key management personnel	–	7,380
Amounts owed to entities that provide key management personnel	8,606	2,526
Sales to other related parties	17,160	33,214
Purchases from other related parties	1,102,278	430,606
Assets purchased from other related parties	4,700	45,422
Management charges from other related parties	586,595	408,833
Amounts owed to other related parties	21,023	381,232
Amounts due from other related parties	3,179,901	3,710,906
Amounts owed to key management personnel	400,000	–

There is an intercompany bank guarantee between the company and KL Ventures Limited.

BANBURY HEATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

PERIOD FROM 30 DECEMBER 2019 TO 27 DECEMBER 2020

28. Controlling party

The immediate and ultimate parent company is KL Ventures Limited, a company incorporated in England and Wales.

KL Ventures Limited heads the smallest and largest group to prepare consolidated financial statements which include Banbury Heath Limited. The consolidated financial statements of KL Ventures Limited can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.