

Busaba Eathai Holdings Limited

Report and Financial Statements

For the 52 Weeks Ended

26 May 2018

Company Number 06583652

TUESDAY



L8C9UL08

20/08/2019

#36

LD7

COMPANIES HOUSE

Busaba Eathai Holdings Limited

Company Information

Directors	W R Floyd T Harrison M Whitehead
Registered number	06583652
Registered office	Second Floor 42-48 Great Portland Street London W1W 7NB
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU

Busaba Eathai Holdings Limited

Contents

	Page
Group strategic report	1 - 2
Directors' report	3 - 4
Directors' responsibilities statement	5
Independent auditor's report	6 - 8
Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Financial Position	10 - 11
Company Statement of Financial Position	12
Consolidated Statement of Changes in Equity	13
Company Statement of Changes in Equity	14
Consolidated Statement of Cash Flows	15
Notes to the financial statements	16 - 37

Busaba Eathai Holdings Limited

Group strategic report For the 52 weeks ended 26 May 2018

The directors present their strategic report together with the audited financial statements for the period ended 26 May 2018.

Principal activity, review of business and future developments

The principal activity of the Group is the operation of modern Thai restaurants. The principal activity of the company is an investment holding company.

During the year, in a casual dining market facing well publicised difficult trading conditions and cost pressures, the company focused on gaining the benefits of its continuous improvement programme and driving operational efficiencies. This is expected to deliver incremental profitability through revenue enhancement. The company also undertook a refinancing exercise which put in place additional facilities of £1.4m to support the ongoing development of the business and some restructuring costs.

During the year, the business refocussed on its London operations and the lease on the Liverpool restaurant was successfully assigned.

At the close of the period under review the company operated 14 restaurants, however the St Albans restaurant was closed in June 2018 reducing the estate to 13. Post the year end, the business sub-let the closed site in Manchester and assigned the closed site in St Albans.

During the year under review turnover decreased by 3% to £28.4m however with the actions taken by management adjusted EBITDA grew by £1,279k (+318%).

Profit before tax is stated after adjustments made for the outcome of a review of the company's holding value of assets which resulted in the impairment of £3.7m against the book value of assets, the write down of stock of £0.6m and movement on onerous lease provisions of £3.0m.

	26 May 2018	27 May 2017	Change
	£'000	£'000	%
Turnover	28,447	29,389	(3)
Adjusted EBITDA *	877	(402)	318
(Loss) / profit before tax	(17,901)	(17,918)	-

*Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, impairments, profit / (loss) on disposal, pre-opening costs and exceptional administrative expenditure.

Going forward, given the restructuring of the group that took place in May 2019 and the resulting reduction in loan note debt and the cash injection, the near-term objective for the directors is to further improve the business through continued focused on operating efficiency, the maintenance of a central cost appropriate to the scale of the business and the opportunistic growth of covers and sales through brand-wide and local marketing activities.

Busaba Eathai Holdings Limited

Group strategic report (continued) For the 52 weeks ended 26 May 2018

Principal risks and uncertainties

- The current economic environment and consumer uncertainty post the referendum result in 2016 continues to impact the casual dining market but the directors believe that Busaba's distinctive brand and dedication to delivering superb Thai food within a strong brand and distinctive environment will help the business endure the challenging trading conditions.
- Recruitment and retention of staff is always a key factor in any hospitality business. This has grown particularly important given the potentially increased competition for staff given the potential for increased restriction on the entry of EU nationals to the UK labour market. The directors continue to give great emphasis to finding ways to make Busaba a great place to work to aid with any challenges in attracting and retaining great people.

This report was approved by the board on

14 / 8 / 19

and signed on its behalf.



M Whitehead
Director

Busaba Eathai Holdings Limited

Directors' report For the 52 weeks ended 26 May 2018

The directors present their report and the financial statements for the 52 weeks ended 26 May 2018.

Results and dividends

The loss for the 52 weeks, after taxation, amounted to £17,900,700 (2017 - £17,825,762).

The directors do not recommend the payment of a dividend.

Directors

The directors who served during the 52 weeks were:

B Hughes (resigned 19 October 2018)
J Myers (resigned 26 October 2017)
W H Nash (resigned 14 May 2018)
J H Maltz (resigned 30 September 2017)
M D Angela (appointed 12 September 2017, resigned 2 November 2018)
W R Floyd (appointed 16 October 2017)
T Harrison (appointed 9 October 2017)
J Falconer (resigned 28 July 2017)
M Lombardo (resigned 30 June 2017)

On 2 November 2018, M Whitehead was appointed as a director.

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and existed at the date of this report.

Employee involvement

The Group operates an equal opportunities employment ethos, it also has in place a training programme to ensure that all staff are fully trained and up to date with statutory laws and requirements relating to food hygiene, health and safety, licensing and employment law.

Employment of disabled persons

The Group 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 Group'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.

Indemnity cover

Third party indemnity cover was in force for the directors during the period and since the period end.

Supplier payment policy

The policy of the Group is to agree terms of payment with suppliers as part of the overall terms applying to each transaction, ensure that suppliers are made aware of the terms of payment and then to abide by the terms of payment to the supplier.

Going concern

The directors have prepared cash flow forecasts which show the group is expected to be cash generative across the coming financial year at the operating level, and they forecast the group to operate within the loan facilities available to it. Therefore the financial statements are prepared on a going concern basis. Further details are given in note 2.3.

Busaba Eathai Holdings Limited

Directors' report (continued) For the 52 weeks ended 26 May 2018

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

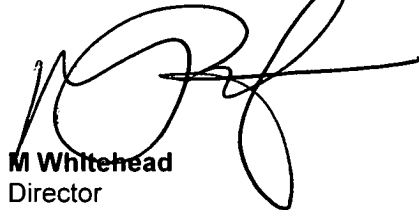
Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

14/8/19.

and signed on its behalf.



M Whitehead
Director

Busaba Eathai Holdings Limited

Directors' responsibilities statement For the 52 weeks ended 26 May 2018

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Busaba Eathai Holdings Limited

Independent Auditor's report to the members of Busaba Eathai Holdings Limited

Opinion

We have audited the financial statements of Busaba Eathai Holdings Limited ("the Parent Company") and its subsidiaries ("the Group") for the period ended 26 May 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cashflow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 26 May 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group and the Parent 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.

Busaba Eathai Holdings Limited

Independent Auditor's report to the members of Busaba Eathai Holdings Limited (continued)

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Busaba Eathai Holdings Limited

Independent Auditor's report to the members of Busaba Eathai Holdings Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

David Gill (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

14/8/19

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Busaba Eathai Holdings Limited

Consolidated Statement of Comprehensive Income For the 52 weeks Ended 26 May 2018

	Note	52 weeks ended 26 May 2018 £	52 weeks ended 27 May 2017 £
Turnover	4	28,447,164	29,388,743
Cost of sales		(16,373,553)	(17,694,931)
Gross profit		12,073,611	11,693,812
Administrative expenses		(25,454,778)	(25,098,609)
Adjusted EBITDA*		876,934	(401,703)
Depreciation and amortisation		(2,964,068)	(2,688,564)
Fixed asset impairments		(3,650,893)	(4,118,645)
Movement in onerous lease provision		(3,028,800)	(924,606)
Pre-opening and aborted site costs		(877,779)	(656,342)
Other exceptional administrative expenses	10	(3,736,561)	(4,614,937)
Operating loss	5	(13,381,167)	(13,404,797)
Interest receivable and similar income		-	54
Interest payable and expenses	8	(4,519,533)	(4,513,264)
Loss before tax		(17,900,700)	(17,918,007)
Tax on loss	9	-	92,245
Loss and total comprehensive income for the period		(17,900,700)	(17,825,762)

There was no other comprehensive income for the period (2017 – £Nil).

*Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, profit/(loss) on disposal, exceptional costs and pre opening costs.

The notes on pages 16 to 37 form part of these financial statements.

Busaba Eathai Holdings Limited

Registered number: 06583652

Consolidated Statement of Financial Position As at 26 May 2018

	Note	26 May 2018 £	26 May 2018 £	27 May 2017 £	27 May 2017 £
Fixed assets					
Intangible assets	11		1,861		3,298,236
Tangible assets	12		10,020,948		15,053,403
			<u>10,022,809</u>		<u>18,351,639</u>
Current assets					
Stocks	15	359,571		990,093	
Debtors: amounts falling due after more than one year	16	266,210		256,210	
Debtors: amounts falling due within one year	16	1,012,149		1,572,885	
Cash at bank and in hand		716,924		687,279	
		<u>2,354,854</u>		<u>3,506,467</u>	
Current liabilities					
Creditors: amounts falling due within one year	17	(6,649,383)		(6,354,857)	
Net current liabilities			<u>(4,294,529)</u>		<u>(2,848,390)</u>
Total assets less current liabilities			<u>5,728,280</u>		<u>15,503,249</u>
Creditors: amounts falling due after more than one year	18		(54,896,569)		(49,799,638)
Provisions for liabilities					
Other provisions	20		(3,898,636)		(869,836)
Net liabilities			<u><u>(53,066,925)</u></u>		<u><u>(35,166,225)</u></u>

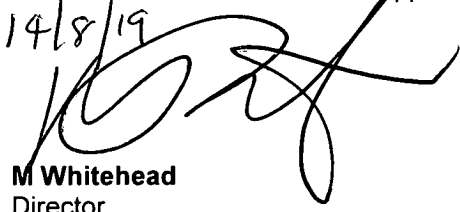
Busaba Eathai Holdings Limited

Registered number: 06583652

Consolidated Statement of Financial Position (continued) As at 26 May 2018

	Note	26 May 2018 £	27 May 2017 £
Capital and reserves			
Called up share capital	21	875,582	875,582
Share premium account	22	95,164	95,164
Other reserves	22	9,439,313	9,439,313
Profit and loss account	22	(63,476,984)	(45,576,284)
		<u>(53,066,925)</u>	<u>(35,166,225)</u>

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

14/8/19

M Whitehead
Director

The notes on pages 16 to 37 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions of the Companies Act 2006 and the Companies (Accounts) Regulations 2008. The company is a public company and the financial statements are required to be audited. The financial statements have been audited by the auditors, who have issued a report on the financial statements. The financial statements have been approved by the board of directors and signed on its behalf on 14/8/19 by M Whitehead, Director.

Busaba Eathai Holdings Limited
Registered number: 06583652

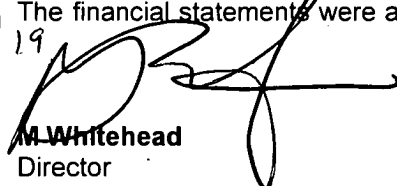
Company Statement of Financial Position
As at 26 May 2018

	Note	26 May 2018 £	26 May 2018 £	27 May 2017 £	27 May 2017 £
Fixed assets					
Investments	13		2		2
Current liabilities					
Creditors: amounts falling due within one year	17	(1,081,552)		(1,469,553)	
Net current liabilities			(1,081,552)		(1,469,553)
Total assets less current liabilities			(1,081,550)		(1,469,551)
Current liabilities					
Creditors: amounts falling due after more than one year	18	(11,174,663)		(10,161,437)	
Net liabilities			(12,256,213)		(11,630,988)
Capital and reserves					
Called up share capital	21		875,582		875,582
Share premium account	22		95,164		95,164
Profit and loss account brought forward		(12,601,734)		(818,922)	
Loss for the 52 weeks		(625,225)		(11,782,812)	
Profit and loss account carried forward			(13,226,959)		(12,601,734)
			(12,256,213)		(11,630,988)

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

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

14/8/19



M. Whitehead
Director

The notes on pages 16 to 37 form part of these financial statements.

Busaba Eathai Holdings Limited

Consolidated Statement of Changes in Equity For the 52 weeks ended 26 May 2018

	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total equity £
At 28 May 2017	875,582	95,164	9,439,313	(45,576,284)	(35,166,225)
Comprehensive income for the 52 weeks					
Loss for the 52 weeks	-	-	-	(17,900,700)	(17,900,700)
Total comprehensive income for the 52 weeks	-	-	-	(17,900,700)	(17,900,700)
At 26 May 2018	875,582	95,164	9,439,313	(63,476,984)	(53,066,925)

Consolidated Statement of Changes in Equity For the 52 weeks ended 27 May 2017

	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total equity £
At 29 May 2016	875,582	95,164	-	(27,750,522)	(26,779,776)
Comprehensive income for the 52 weeks					
Loss for the 52 weeks	-	-	-	(17,825,762)	(17,825,762)
Total comprehensive income for the 52 weeks	-	-	-	(17,825,762)	(17,825,762)
Contributions by and distributions to owners					
Capital contribution	-	-	9,439,313	-	9,439,313
Total transactions with owners	-	-	9,439,313	-	9,439,313
At 27 May 2017	875,582	95,164	9,439,313	(45,576,284)	(35,166,225)

The notes on pages 16 to 37 form part of these financial statements.

Busaba Eathai Holdings Limited

Company Statement of Changes in Equity For the 52 weeks ended 26 May 2018

	Share capital £	Share premium £	Retained earnings £	Total equity £
At 28 May 2017	875,582	95,164	(12,601,734)	(11,630,988)
Comprehensive income for the year				
Loss for the 52 weeks	-	-	(625,225)	(625,225)
Total comprehensive income for the 52 weeks	-	-	(625,225)	(625,225)
At 26 May 2018	875,582	95,164	(13,226,959)	(12,256,213)

Company Statement of Changes in Equity For the 52 weeks ended 27 May 2017

	Share capital £	Share premium £	Retained earnings £	Total equity £
At 29 May 2016	875,582	95,164	(818,922)	151,824
Comprehensive income for the 52 weeks				
Loss for the 52 weeks	-	-	(11,782,812)	(11,782,812)
Total comprehensive income for the 52 weeks	-	-	(11,782,812)	(11,782,812)
At 27 May 2017	875,582	95,164	(12,601,734)	(11,630,988)

The notes on pages 16 to 37 form part of these financial statements.

Busaba Eathai Holdings Limited

Consolidated Statement of Cash Flows For the 52 weeks ended 26 May 2018

	26 May 2018 £	27 May 2017 £
Cash flows from operating activities		
Loss for the 52 weeks	(17,900,700)	(17,825,762)
Adjustments for:		
Amortisation of intangible assets	726,525	726,622
Depreciation of tangible assets	2,237,543	1,961,942
Impairments of fixed assets, goodwill and stock	6,856,728	8,858,168
Interest payable	4,519,533	4,513,264
Interest receivable	-	(54)
Taxation charge	-	(92,245)
Increase in stocks (excluding impairment)	(5,463)	(43,752)
Decrease/(increase) in debtors	550,736	(324,965)
(Decrease)/increase in creditors	(513,269)	129,169
Increase in provisions	3,028,800	869,836
Net cash generated from operating activities	(499,567)	(1,227,777)
Cash flows from investing activities		
Purchase of tangible fixed assets	(855,981)	(3,885,634)
Interest received	-	54
Net cash from investing activities	(855,981)	(3,885,580)
Cash flows from financing activities		
New secured loans	1,690,000	2,826,700
Shareholder loans drawn down	-	3,100,000
Interest paid	(304,807)	(741,448)
Net cash used in financing activities	1,385,193	5,185,252
Net increase in cash and cash equivalents	29,645	71,895
Cash and cash equivalents at beginning of 52 weeks	687,279	615,384
Cash and cash equivalents at the end of 52 weeks	716,924	687,279
Cash at bank and in hand	716,924	687,279

The notes on pages 16 to 37 form part of these financial statements.

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

1. General information

Busaba Eathai Holdings Limited is a private company limited by shares, incorporated in England and Wales under the Companies Act. The address of the registered office is given on the company information page and the nature of the Group's operations and its principal activities are set out in the Strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

2. Accounting policies (continued)

2.3 Going concern

During the period the company made a loss of £625,225 (2017 - £11,782,812) and the Statement of Financial Position showed a deficit of £12,256,213 (2017 - £11,630,988), due to long term liabilities amounting to £11,174,663 (2017 - £10,161,437) relating to preference shares and accrued interest

The group made a loss of £17,900,700 (2017 - £17,825,762) and the Statement of Financial Position showed a deficit of £53,066,925 (2017 - £35,166,225).

The directors have prepared projected forecasts and cash flows for a period of 12 months from the date of signing these accounts for the group and the company. As the trading conditions in the casual dining sector in 2019 have and continue to be challenging the directors have conducted sensitivity analyses on these projections, and taken into accounts the post year end acquisition of the group by Curry Acquisitions Limited (including additional capital invested in Busaba Eathai Cleanco Limited), the incremental accordion provided by Muzinich UK Private Debt, the associated waiver of the loan notes issued to Phoenix Equity Nominees, the resetting of bank covenants and the confirmation by the various companies in the Busaba Group that they will not demand repayment of their intercompany balances until the owing company is in a position to repay them.

Trading conditions remain volatile and a material deterioration in performance could lead to a requirement for additional facilities. However the group is expected to return to being cash generative at the operating level across the coming financial year following the actions taken by management to close loss making units, and implement cost reduction measures, and the directors have therefore concluded, taking into account the sensitivity analyses performed, that it is appropriate to prepare the financial statements on a going concern basis, as they forecast the group to operate within the loan facilities available to it.

2.4 Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the Consolidated Statement of Comprehensive Income over the directors' estimate of its useful economic life of 20 years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Negative goodwill is amortised through Consolidated Statement of Comprehensive Income in the periods in which the non-monetary assets are recovered, whether through depreciation or sale.

2.5 Turnover

Turnover from the operation of restaurants is the value of goods and services, exclusive of value added tax, provided to customers during the period. Turnover is recognised as the goods and services are provided. Turnover does not include gratuities left by customers for the benefit of the employees.

Turnover from franchise partners represents pre-opening license and royalty income. Revenue is recognised when the company has fulfilled its related obligations to the franchisor.

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

2. Accounting policies (continued)

2.6 Intangible assets

Where the company incurs costs in relation to the Busaba Eathai trademark in various territories around the World, such costs are capitalised and amortised over their estimated useful lives. Trademarks are stated at cost less accumulated amortisation and any impairment loss. Trademarks are considered to have a useful life of between 3 and 20 years.

Where indicators of impairment exist, the need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

Amortisation is charged to the Consolidated Statement of Comprehensive Income with in administrative expenses.

2.7 Tangible fixed assets

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

Depreciation is provided on the following basis:

Leasehold improvements	- over the term of the lease
Plant and machinery	- straight line over 10 to 15 years
Fixtures and fittings	- straight line over 5 to 15 years
Computer equipment	- straight line over 4 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

Computer equipment is included within fixtures and fittings in note 12.

Assets under construction are recognised at cost and transferred to an appropriate category of asset once they have been completed, whereupon they are depreciated in accordance with the policy for the relevant asset class.

2.8 Valuation of investment

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

2. Accounting policies (continued)

2.11 Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

2.12 Foreign currency translation

The Company's functional and presentational currency is GBP.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value measured using the exchange rate when fair value was determined.

2.13 Finance costs

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

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

2. Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.16 Current and deferred taxation

The tax expense for the 52 weeks comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

Deferred tax balances are not discounted.

2.17 Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except for those leases entered into prior to the date of transition to FRS 102 on 1 June 2014, where the incentive is spread over the period to the first rent review.

2.18 Pre opening costs

Expenses incurred prior to a new restaurant opening are expensed in the Statement of Financial Position in the period that they are incurred.

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

2. Accounting policies (continued)

2.19 Liquid resources

For the purposes of the Cash Flow Statement, liquid resources are defined as current asset investments and short term deposits, with an original maturity of no more than three months.

2.20 Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Group's ordinary shares are classified as equity instruments, the Group's preference shares are classified as financial liabilities.

2.21 Exceptional items

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

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

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

Preparation of financial statements requires management to exercise judgement in applying the Company's accounting policies. Estimates and assumptions used in the preparation of the financial statements are continually reviewed and revised as necessary.

In preparing these financial statements, the directors have made the following judgements:

- Impairment of goodwill and investments (see notes 11 and 13)

Determine whether there are indicators of impairment of the Group's goodwill and the Company's investments. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the assets.

As a result of impairment indicators in the current year a full impairment review has been performed resulting in an impairment to the carrying value of goodwill and investments. In performing the impairment review management estimates are made of the amount that could reasonably be obtained for the assets based on the best available information including estimated future trading performance and the outcome of recent market transactions.

- Carrying value of trading units (see note 12)

Determine whether there are indicators of impairment of the Group's trading units by considering the economic viability and expected future financial performance of the asset.

When an impairment indicator is deemed to exist, estimates are made of the future cash flows expected to result from the asset. Actual outcomes could vary from such estimates of discounted future cash flows. Such calculations require assumptions related to the appropriate discount rate, the long term growth rate and also short term performance and cash flows. The directors consider historic performance as well as referencing to external information to arrive at these assumptions.

- Onerous lease provision (see note 20)

Provisions have been made for onerous leases on non-trading stores. The need for provisions for onerous leases against non-trading stores is assessed when the leased property becomes vacant and is no longer used in the operations of the Group. These provisions are recognised on a lease by lease basis. The determination of the onerous lease provision requires management to make judgements and estimates about the ultimate cost to the Group, including the nature, timings and cost of exiting a lease. The actual costs and timing of cash flows are dependent on future events and market conditions. Any difference between management estimates and actual costs is accounted for in the period when such determination is made.

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 12)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

4. Turnover

Analysis of turnover by country of destination:

	52 weeks ended 26 May 2018 £	52 weeks ended 27 May 2017 £
United Kingdom	28,447,164	29,371,243
Rest of the world	-	17,500
	<u>28,447,164</u>	<u>29,388,743</u>

Turnover is wholly attributable to the principal activity of the Group.

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

5. Operating loss

The operating loss is stated after charging:

	52 weeks ended 26 May 2018 £	52 weeks ended 27 May 2017 £
Impairment of tangible fixed assets	3,650,893	4,118,645
Depreciation of tangible fixed assets	2,237,543	1,961,942
Amortisation of positive goodwill	725,358	725,358
Impairment of goodwill	2,569,850	4,739,523
Amortisation of other intangible fixed assets	1,167	1,264
Hire of other assets - operating leases	3,449,403	3,211,948
Fees payable to the Group's auditor for the audit of the Company's annual financial statements	4,700	4,620
- audit of Company's subsidiaries	37,520	41,400
- taxation advisory services	14,750	13,750
- other non-audit services	9,950	22,250
	<u>10,706,174</u>	<u>18,300,740</u>

6. Employees

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

	Group 26 May 2018 £	Group 27 May 2017 £
Wages and salaries	9,748,865	10,931,321
Social security costs	727,683	854,516
Cost of defined contribution scheme	83,847	60,891
	<u>10,560,395</u>	<u>11,846,728</u>

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

	52 weeks ended 26 May 2018 No.	52 weeks ended 27 May 2017 No.
Restaurant staff	516	581
Management staff	29	24
	<u>545</u>	<u>605</u>

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

7. Directors' remuneration

	52 weeks ended 26 May 2018 £	52 weeks ended 27 May 2017 £
Directors' emoluments	426,536	785,624

The highest paid director received remuneration of £127,404 (2017 - £318,215).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £51,841 (2017 - £7,530).

8. Interest payable and similar expenses

	52 weeks ended 26 May 2018 £	52 weeks ended 27 May 2017 £
Bank interest payable	1,037,575	864,101
Interest payable on shareholder loan notes	2,335,507	2,657,507
Unwinding of discount on preference shares	1,013,225	539,698
Amortisation of finance costs	133,226	451,958
	4,519,533	4,513,264

Interest on the shareholders loan notes accrued at 8% - 10% per annum during the period. The Group has the option of rolling up or paying the interest.

9. Taxation

	52 weeks ended 26 May 2018 £	52 weeks ended 27 May 2017 £
Deferred tax		
Origination and reversal of timing differences	-	(92,245)
Taxation on loss on ordinary activities	-	(92,245)

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

9. Taxation (continued)

Factors affecting tax charge for the period

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

	52 weeks ended 26 May 2018 £	52 weeks ended 28 May 2017 £
Loss on ordinary activities before tax	(17,900,700)	(17,918,006)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	(3,401,133)	(3,583,600)
Effects of:		
Expenses not deductible for tax purposes	1,012,834	1,849,794
Adjust closing deferred tax to average rate	190,141	(5,397)
Deferred tax not recognised	2,203,340	1,646,958
Other permanent differences	(5,182)	-
Total tax charge for the period	-	(92,245)

At the period end, the Group has a potential unrecognised deferred tax asset of £2,300,000 (2017 - £1,329,000) in respect of losses and short term timing differences.

10. Exceptional items

	52 weeks ended 26 May 2018 £	52 weeks ended 27 May 2017 £
Rent free adjustment on closed sites	-	(345,994)
Stock write off	635,985	221,408
Impairment of goodwill	2,569,850	4,739,523
Profit on disposal of fixed assets	(16,000)	-
Restructuring and reorganisation costs	546,726	-
	3,736,561	4,614,937

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

11. Intangible assets

Group

	Intellectual property £	Goodwill on consolidation £	Total £
Cost			
At 28 May 2017	145,737	14,507,154	14,652,891
At 26 May 2018	145,737	14,507,154	14,652,891
Amortisation			
At 28 May 2017	142,709	11,211,946	11,354,655
Charge for the period	1,167	725,358	726,525
Impairment charge	-	2,569,850	2,569,850
At 26 May 2018	143,876	14,507,154	14,651,030
Net book value			
At 26 May 2018	1,861	-	1,861
At 27 May 2017	3,028	3,295,208	3,298,236

As a result of indicators of impairment in the period a full impairment review was undertaken and based on the fair value less cost to sell an impairment against goodwill of £2,569,850 (2017 - £4,739,523) was recognised and is included in administrative expenses in the Consolidated Statement of Comprehensive Income.

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

12. Tangible fixed assets

Group

	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation				
At 28 May 2017	20,586,634	3,866,937	7,984,214	32,437,785
Additions	96,121	-	759,860	855,981
At 26 May 2018	<u>20,682,755</u>	<u>3,866,937</u>	<u>8,744,074</u>	<u>33,293,766</u>
Depreciation				
At 28 May 2017	9,268,649	2,771,831	5,343,902	17,384,382
Charge for the period	1,015,478	231,716	990,349	2,237,543
Impairment charge	2,970,433	102,608	577,852	3,650,893
At 26 May 2018	<u>13,254,560</u>	<u>3,106,155</u>	<u>6,912,103</u>	<u>23,272,818</u>
Net book value				
At 26 May 2018	<u>7,428,195</u>	<u>760,782</u>	<u>1,831,971</u>	<u>10,020,948</u>
At 27 May 2017	<u>11,317,985</u>	<u>1,095,106</u>	<u>2,640,312</u>	<u>15,053,403</u>

The impairment loss recognised on tangible fixed assets in the period was £3,650,893 (2017 - £4,118,645) and is included in administrative expenses in the Consolidated Statement of Comprehensive Income. £1,137,242 (2017 - £3,644,767) relates to the full impairment of assets in respect of closed sites in the period with an additional £2,513,651 (2017 - £473,878) recognised in respect of underperforming site(s) where tangible fixed assets have been written down to their recoverable amount being the higher of their fair value less costs to sell and value in use.

The value in use has been calculated using discounted cash flow projections using a discount rate of 14% over the life of the lease, based on management's most recent business forecast.

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

13. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost	
At 28 May 2017	9,621,741
At 26 May 2018	9,621,741
Impairment	
At 28 May 2017	9,621,739
At 26 May 2018	9,621,739
Net book value	
At 26 May 2018	2
At 27 May 2017	2

14. Subsidiary undertakings

The following were subsidiary undertakings of the Company at the year end:

Name	Class of shares	Holding	Principal activity
Busaba Eathai Acquisitions Limited	Ordinary	100 %	Holding company
Busaba Eathai Limited *	Ordinary	100 %	Restaurant operation
Amerin Limited *	Ordinary	100 %	Dormant
Busaba Eathai (Store Street) Limited *	Ordinary	100 %	Dormant
Busaba Eathai Cleanco Limited *	Ordinary	100 %	Holding company

* Undertakings held indirectly by the Company.

The registered office address for all of the above subsidiaries is Second Floor, 42 - 48 Great Portland Street, London W1W 7NB.

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

15. Stocks

	Group 26 May 2018 £	Group 27 May 2017 £	Company 26 May 2018 £	Company 27 May 2017 £
Finished goods and goods for resale	187,486	248,230	-	-
Consumables	172,085	741,863	-	-
	<u>359,571</u>	<u>990,093</u>	<u>-</u>	<u>-</u>

Stock recognised in costs of sales during the period as an expense was £6,685,217 (2017 - £7,500,749).

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

16. Debtors

	Group 26 May 2018 £	Group 27 May 2017 £	Company 26 May 2018 £	Company 27 May 2017 £
Due after more than one year				
Other debtors	<u>266,210</u>	<u>256,210</u>	<u>-</u>	<u>-</u>
Due within one year				
Trade debtors	496,267	922,548	-	-
Other debtors	113,811	1,503	-	-
Prepayments and accrued income	402,071	648,834	-	-
	<u>1,012,149</u>	<u>1,572,885</u>	<u>-</u>	<u>-</u>

The other debtors due after more than one period above relate to rent deposits.

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

17. Creditors: Amounts falling due within one year

	Group 26 May 2018 £	Group 27 May 2017 £	Company 26 May 2018 £	Company 27 May 2017 £
Bank loans	1,414,719	603,753	-	-
Trade creditors	1,965,080	2,088,765	-	-
Amounts owed to group undertakings	-	-	1,081,552	1,469,553
Other taxation and social security	752,578	921,887	-	-
Other creditors	785,830	923,022	-	-
Accruals and deferred income	1,731,176	1,817,430	-	-
	6,649,383	6,354,857	1,081,552	1,469,553

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

	Group 26 May 2018 £	Group 27 May 2017 £	Company 26 May 2018 £	Company 27 May 2017 £
Bank loans (secured)	11,805,298	10,060,270	-	-
Shareholder loan notes	28,347,443	28,344,274	-	-
Preference shares	11,174,663	10,161,437	11,174,663	10,161,437
Interest on shareholder loan notes	3,569,165	1,233,657	-	-
	54,896,569	49,799,638	11,174,663	10,161,437

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

18. Creditors: Amounts falling due after more than one year (continued)

Maturity of debt:

	Bank loans 26 May 2018 £	Bank loans 27 May 2017 £	Shareholder loan notes and accrued interest 26 May 2018 £	Shareholder loan notes and accrued interest 27 May 2017 £	Preference shares 26 May 2018 £	Preference shares 27 May 2017 £
In one year or less, or on demand	1,414,719	603,753	-	-	-	-
In more than one year but not more than two years	135,876	135,876	-	-	-	-
In more than two years but not more than five years	11,669,422	9,924,394	31,916,608	29,577,931	-	-
More than five years	-	-	-	-	11,174,663	10,161,437
	13,220,017	10,664,023	31,916,608	29,577,931	11,174,663	10,161,437

The loan notes held are unsecured subordinated redeemable notes which carry a repayment date of 31 December 2023. Included in the loan notes above is £2,938 (2017 - £6,107) of unamortised issue costs.

The loan notes are listed on the Channel Islands Stock Exchange.

On 9 December 2016, £19,061,053 of interest on shareholder loan notes were converted into 19,061,053 preference shares (note 21).

The bank loans are shown net of finance costs of £690,174 (2017 - £825,678) which have been capitalised in accordance with FRS 102. During the year a charge of £133,226 (2017 - £451,958) for amortisation was made.

The bank loans are secured by way of debentures and a floating charge over the assets of the company.

To further facilitate the restaurant expansion programme, a £17,000,000 facility was entered into on 23 June 2016 with Muzinich & Co Ltd and Barclays. The facility is to be fully repaid on 23 June 2023 and interest is accruing at a rate of LIBOR plus 6.5%. In September 2017 a further £1m accordion facility was agreed.

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

19. Financial instruments

	Group 26 May 2018 £	Group 27 May 2017 £	Company 26 May 2018 £	Company 27 May 2017 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>1,593,212</u>	<u>1,867,540</u>	<u>-</u>	<u>-</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(60,793,374)</u>	<u>(55,232,608)</u>	<u>(12,256,215)</u>	<u>(11,630,990)</u>

Financial assets measured at amortised cost comprise cash and debtors (excluding prepayments and taxation).

Financial liabilities measured at amortised cost comprise creditors (excluding taxation).

In the directors' opinion, there is no material difference between the book value and the fair value of any of the Group's financial instruments at the period end.

The Group had financial instruments such as bank loans, loan notes and intercompany balances that arise directly from the Group's operations. The Group's operations are financed primarily by bank loans, preference shares and shareholder loan notes.

Financial liabilities

The fixed interest unsecured loan notes accrued interest at 8% during the period except for £2,300,000 of the loan notes which accrued interest at 10% in the period. The group has the option of rolling up or paying the interest. If the interest is rolled up it is compounded annually on 31 December each year.

All of the shareholder loans and rolled up interest are Sterling denominated and fall due for repayment on 31 December 2023. The carrying value of the loan notes and rolled up interest at the period end is £31,916,608 (2017 - £29,577,931). The directors do not consider the fair value of these liabilities to be materially different to this carrying value. The fair value of the loan notes is based upon available market prices as the loan notes are listed on the Channel Islands Stock Exchange.

The bank loan is repayable in instalments and has a final repayment date of June 2023. The carrying value of the loan facility at the period end is £13,220,017 (2017 - £10,664,023). The directors do not consider the fair value of this liability to be materially different to the carrying value. Interest on this facility is payable quarterly and accrues at a rate of 6.5% above the Bank of England base rate.

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

19. Financial instruments (continued)

Financial instruments - risk management

Interest rate risk

The Group's primary interest rate risk relates to interest bearing debts which are explained in the financial liabilities note above. The directors manage interest rate risk by entering into fixed interest rate agreements in order to provide certainty over the level of interest expense incurred by the Group. Where loans are at floating rates of interest, fixed rate swap agreements are entered into to mitigate interest rate risk.

Liquidity risk

The Group actively manages its debt maturity profile, operating cashflows and the availability of funding so as to ensure that all funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of funding to meet its working capital requirements.

Currency risk

All of the Group's revenues are denominated in Sterling and a significant majority of its costs are also denominated in Sterling. Therefore, the directors do not consider that the Group is exposed to significant currency risk.

Credit risk

All of the Group's principal financial assets are cash and trade debtors. There is minimal credit risk associated with the Group's cash balances as they are held at recognised and reputable financial institutions. Trade debtors mainly relate to switch and credit card receivables at the period end date. The directors consider the credit risk associated with these debts to be minimal.

20. Provisions

Group

	Onerous lease provision £
At 28 May 2017	869,836
Charged to profit or loss	3,028,800
At 26 May 2018	3,898,636

Provisions for onerous leases relate to the current value of contractual liabilities for future rent and rates payments and other unavoidable costs on leasehold properties the company no longer operationally uses or expects to return to profitability. These liabilities, assessed on a lease by lease basis, are expected to arise over a period of up to 25 years.

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

21. Share capital

	26 May 2018 £	27 May 2017 £
Shares classified as equity		
Allotted, called up and fully paid		
18,625 Ordinary A shares of £0.01 each	186	186
12,500 Ordinary B shares of £0.01 each	125	125
65,000 Ordinary C shares of £0.01 each	650	650
874,621 Ordinary D shares of £1 each	874,621	874,621
	875,582	875,582

The A, B and C shares rank pari passu subject to certain investor performance criteria being satisfied. The D £1.00 Ordinary shares have no voting rights and are entitled to 0.01% of any profit distribution made by the Company with the remainder being split equally between A, B and C shareholders. The D shareholders are not entitled to any capital return in the event of a sale or winding up the Company.

	26 May 2018 £	27 May 2017 £
Shares classified as debt		
Allotted, called up and fully paid		
19,299,316 Preference shares of £0.00001 each	11,174,663	10,161,437

On 9 December 2016, 19,061,053 Preference shares were issued in exchange for accrued interest on the shareholder loan notes of £19,061,052, (note 17) and were discounted to a present value of £9,621,739 with the difference recognised as a capital contribution through equity. A further 238,263 preference shares were subsequently issued in 2017 to a related company by virtue of it being controlled by a shareholder of the Group. All preference shares were issued with a nominal value of £0.00001 per share and shall be redeemed on 31 December 2023, or on the occurrence of a default event, unless directed to the contrary by an Investor Direction, at £1 per share. These shares have been classified as a financial liability in accordance with FRS 102. The discount on the preference shares is being unwound over the period to 31 December 2023.

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

22. Reserves

Share premium account

The premium account includes the premium on issue of equity shares, net of any issue costs.

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Other reserves

Other reserves are made up of capital contributions arising on conversion of interest on shareholder loan notes to preference shares.

Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

23. Contingent liabilities

The Company is a guarantor under the terms of the £17m bank facility made available to Busaba Eathai Limited.

The Group has a contingent liability in respect of a property lease. The lease is in respect of an undeveloped commercial property that has been assigned to a third party. Under the terms of the assignment, the Company remains liable for the lease obligations in the event of the assignee's default. The remaining term under the lease is approximately 12 years. Whilst the Company has not been notified of any obligations under the lease not being met by the assignee, the current annual rent obligations before any mitigating activities is approximately £220,000. No provision has been made in respect of this contingent liability.

24. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £83,847 (2017 - £60,891). Contributions totalling £8,263 (2017 - £18,340) were payable to the fund at the reporting date.

Busaba Eathai Holdings Limited

Notes to the financial statements For the 52 weeks ended 26 May 2018

25. Commitments under operating leases

At 26 May 2018 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 26 May 2018 £	Group 27 May 2017 £
Not later than 1 year	3,227,960	3,294,696
Later than 1 year and not later than 5 years	12,796,533	12,962,039
Later than 5 years	26,459,423	31,266,061
	<u>42,483,916</u>	<u>47,522,796</u>

The Company had no commitments under the non-cancellable operating leases as at the reporting date.

26. Related party transactions

As at 26 May 2018, the Group owed £39,267,613 (2017 - £38,631,408) including £4,658,457 (2017 - £15,690,758) of rolled up interest on the outstanding loan notes to Phoenix Equity Nominees Limited on behalf of Phoenix Equity Partners 2006 Fund who are majority shareholders of the ultimate parent company. This balance is included within creditors amounts falling due after one year.

Key management personnel include all directors across the Group who together have authority and responsibility for planning, directing and controlling the activities of the Group. The total compensation paid to key management personnel for services provided to the Group was £418,210 (2017 - £886,184).

27. Post statement of financial position events

Subsequent to the year end, the Group was restructured and the ordinary shares and preference shares in Busaba Eathai Holdings Limited were acquired by Curry Acquisitions Limited. The reorganisation was completed in May 2019.

As a result of the restructuring and acquisition, the loan notes and rolled up interest owed to Phoenix Equity Nominees on behalf of Phoenix Equity Partners 2006 Fund in the accounts of Busaba Eathai Cleanco Limited and Busaba Eathai Acquisitions Limited have been repaid for a nominal sum. In addition, the bank facility covenants in Busaba Eathai Limited have been amended and an additional accordion facility of £0.4m granted by Muzinich, the business's principal lender.

Busaba Eathai Cleanco Limited converted the existing ordinary shares held by Busaba Eathai Acquisitions Limited to 29 "B" ordinary shares, and issued 28,971 "A" ordinary shares to Curry Acquisition Limited for a consideration of £240,000. As a consequence, Curry Acquisition Limited became the immediate parent company of Busaba Eathai Cleanco Limited, and Busaba Eathai Acquisitions Limited holding in Busaba Eathai Cleanco Limited was reduced to 0.1%.

The ultimate controlling party of the Group is now Muzinich UK Private Debt SARL.

28. Ultimate parent company and parent undertaking of larger group

The ultimate controlling party, as at 26 May 2018 was Phoenix Equity Partners 2006 Fund, who are the majority shareholders of the ultimate controlling company, Phoenix Equity Nominees Limited.